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ROYAL AUDIT AUTHORITY

Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



RAA/AG-SP/03/2020-21/ 170

Date: 19/10/2020

The Hon'ble Speaker
National Assembly of Bhutan
Gyalong Tshokhang
Thimphu.

Subject: Review Reports of Annual Audit Reports 2010 - 2017 and AAR 2018

Your Excellency,

The RAA is pleased to submit two sets of the Review Reports of Annual Audit Report 2010 to 2017 & Review Report of AAR 2018 for Your Excellency's kind perusal. The reviews of all the past Annual Audit Reports were conducted in line with Section 119 to 123 of the Audit Act of Bhutan 2018.

These reports have been finalized giving due considerations to the actions taken by the agencies as of 30 September 2020 based on numerous follow-ups carried out by the Royal Audit Authority at various levels, viz. Audit Teams, Regional Offices, Follow-Up & Clearance Division, Follow-Up Committee of RAA and Public Accounts Committee.

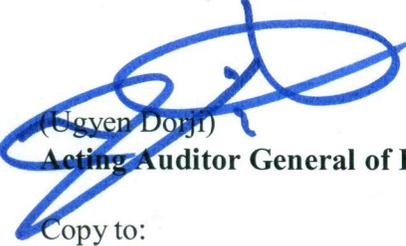
Out of the total unresolved irregularities of Nu.3,402.205 million reported to the 2nd Session of the Third Parliament, the irregularities aggregating to Nu.1,617.022 million (47.53%) were resolved leaving a balance of Nu.1,785.183 million (52.47%) as on 30 September 2020 which are as summarized below:

Sl. No.	Particulars	Unresolved irregularities last reported (as on 30/11/2019) (Nu.in Million)	Irregularities resolved as on 30/09/2020 (Nu.in Million)	Balance irregularities as on 30/09/2020 (Nu.in Million)	Percentage of irregularities resolved as on 30/09/2020
1	AAR 2010	3.158	-	3.158	-
2	AAR 2011	189.750	0.143	189.607	0.08
3	AAR 2012	12.265	0.251	12.014	2.05
4	AAR 2013	16.224	12.228	3.996	75.37
5	AAR 2014	168.465	117.981	50.484	70.03
6	AAR 2015	298.610	201.882	96.728	67.61
7	AAR 2016	125.484	50.072	75.412	39.90
8	AAR 2017	211.992	142.893	69.099	67.40
9	AAR 2018	2,376.257	1,091.572	1,284.685	45.94
	Total	3,402.205	1,617.022	1,785.183	47.53

*"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder."
- His Majesty the King Jigme Khesar Namgyel Wangchuck*

Looking forward to your Excellency's continued and kind support.

Yours respectfully,



(Ugyen Dorji)

Acting Auditor General of Bhutan

Copy to:

1. The Hon'ble Prime Minister of Bhutan, Gyalyong Tshokhang, Thimphu for kind information
2. The Hon'ble Chairperson, National Council of Bhutan, Thimphu for kind information
3. The Hon'ble Chairperson, Public Accounts Committee, Thimphu (7 copies)
- ✓ 4. Office copy; and
5. Guard file



REVIEW REPORT OF ANNUAL AUDIT REPORT 2018

(Status as on 30 September 2020)

ROYAL AUDIT AUTHORITY

PART-I Summary of Review Report of AAR 2018

The Royal Audit Authority had tabled Annual Audit Report 2018 to the 2nd Session of the Third Parliament in June 2019. The Report had total significant unsettled irregularities of Nu.2,376.257 million consisting of Nu.386.339 million against budgetary agencies; Nu.217.991 million against Non-Budgetary Agencies and Nu.1,771.927 million against Hydro Power Projects.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-ups at various levels and subsequently, irregularities amounting to Nu.214.946 million for Budgetary Agencies, Nu.141.777 million for Non-budgetary Agencies and Nu.734.849 for Hydro Power Projects were settled as on 30 Sept. 2020 as shown in the Table below.

Table: Showing agency wise irregularities settled and balances as on 30 Sept. 2020

Sl. No.	Agencies	Unresolved irregularities last reported as of June 2019 (Nu.in Million)	Irregularities resolved as on 30/09/2020 (Nu.in Million)	Balance irregularities as on 30/09/2020 (Nu.in Million)	Percentage of irregularities resolved as on 30/09/2020
1	Ministries	198.325	154.875	43.450	78.09
2	Dzongkhags	132.698	37.191	95.507	28.03
3	Gewogs	30.360	14.259	16.101	46.97
4	Autonomous Agencies	24.956	8.621	16.335	34.54
Total Budgetary Agencies-A (1to 4)		386.339	214.946	171.393	55.637
5	Corporations	195.348	130.151	65.197	66.63
6	Financial Institutions	-	-	-	-
7	Non Governmental Organizations	22.643	11.626	11.017	51.34
Total Non-Budgetary Agencies - B (5)		217.991	141.777	76.214	65.038
8	Hydropower Projects	1,771.927	734.849	1,037.078	41.47
Total Hydropower Projects-C (8)		1,771.927	734.849	1,037.078	41.472
Grand Total (A+B+C)		2,376.257	1,091.572	1,284.685	45.937

As transpired from table above, out of the total unsettled irregularities of Nu.2,376.257 million remaining unsettled as of June 2019, irregularities amounting to Nu.1,091.572 million were settled leaving a balance of Nu.1,284.685 million as on 30 Sept. 2020.

PART-II DETAILED REVIEW REPORT

This chapter contains the summaries of unresolved significant audit observations from the audit reports issued during the year 2018. The draft AAR 2018 reported significant irregularities involving Nu.922.727 million out of which observations amounting to Nu.318.347 million were resolved based on the responses received and actions taken after the draft AAR 2018.

The total unresolved significant irregularities having financial implication of Nu. 2,376.257 million as on 31 March 2019 were reflected in the AAR 2018. The details of agencywise unsettled irregularities reported to the Parliament in June 2019 and irregularities resolved thereafter and balance unresolved ones as of 30 Sept. 2020 are reported hereunder.

1.3.1 MINISTRIES

1.3.1.1 MINISTRY OF AGRICULTURE AND FORESTS

During the year, the RAA conducted 68 audits of Ministry of Agriculture and Forests, its departments, divisions and units. There were 73 observations amounting to Nu.98.332 million of which 35 observations amounting to Nu.1.899 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.96.433 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Ministry and its departments, divisions and units, observations amounting to Nu.16.340 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.80.093 million as summarised below.

Out of the total unresolved irregularities of Nu.80.093 million reported to the Parliament in June 2019, Nu.74.980 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Ministry and its departments, divisions and units. The unresolved significant irregularities of Nu.5.113 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	24.920	24.920	-	100
2	Non-Compliance to Laws and Rules	1.566	0.566	1.000	36.14
3	Shortfalls, Lapses and Deficiencies	53.607	49.494	4.113	92.33
	Total	80.093	74.980	5.113	93.62

The details of unsettled irregularities reported to the Parliament in June 2019; irregularities settled thereafter and unsettled balances as on 30 Sept. 2020 are as discussed below:

1. Mismanagement

There were cases of mismanagement amounting to Nu.24.920 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
1.1	Under-utilization of structures	-	-	Unsettled
1.2	Non-operational chupathang lift irrigation scheme in Samtse and non- achievement of value for money	24.920	24.920	100
Total		24.920	24.92	

The cases of mismanagement are as indicated below:

1.1. UNDER-UTILIZATION OF STRUCTURES

The Wangchuck Centennial National Park, Bumthang had funded the establishment of Tibetan Mastiff Conservation Project at Gasa. The structures were found taken over from the contractor by Program Director, National Highland Research & Development Centre (NHR&DC), Bumthang on 7 February 2018 but had remained unutilized even at the time of audit in December 2018, defeating the very purpose of the investment which was indicative of poor planning. Both the NHR&DC and the Department of Livestock did not have a utilization plan for the structures. *AIN: 15606; Para: 5.3; Accountabilities: Direct: M/s PKC Construction, Thimphu, CDB # 2536; Supervisory: Tawchu Rabgay, Livestock Officer, EID #: 9507139.*

Status: Observation not settled.

1.2. NON-OPERATIONAL CHUPATHANG LIFT IRRIGATION SCHEME IN SAMTSE AND NON-ACHIEVEMENT OF VALUE FOR MONEY

The Department of Agriculture had constructed the Chupathang Lift Irrigation Scheme at Ugyentse Gewog under Samtse Dzongkhag at a total cost of Nu.24.920 million. However, the Lift Irrigation System had remained defunct and non-operational for two planting seasons due to breakdown of the pumping system. From the six Cast Iron Gate valves installed in the system, one was damaged during testing and was not repaired due to which beneficiaries were deprived of water from the Scheme. Further, there was no sustainability plans for the future, should the irrigation system become functional as it required huge power consumption and the beneficiaries may not be able to afford the electricity charges. *AIN: 15657; Para: 1; Accountabilities: Direct: Kelzang Tenzin, Executive Engineer, EID # 200701043; Supervisory: Karma Tshethar, Chief Engineer, EID # 9901079.*

Status: The observation was settled as the lift irrigation scheme was put to utilization.

2. Non-compliance to Laws and Rules – Nu.1.000 million

There were cases of non-compliance to laws and rules involving Nu.1.566 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
2.1	Payment made without completion of Nursery works	1.000	-	1.000
2.2	Payment without execution of work for creation of Heritage Forest	0.482	0.428	-
2.3	Payment without supporting documents	0.042	0.042	-
4	Wasteful expenditure in construction of market shed	0.042	0.042	-
2.5	Non-execution of items of work & substandard work noted in plantation sites	-	-	Settled

2.6	Adjustment of bills without fund balance and other irregularities	-	-	Settled
2.7	Delay in completion of Dreychhu Irrigation Scheme at Namzhi under Kana Gewog, Dagana and liable liquidated damages	-	-	Settled
2.8	Non-levy of liquidated damages for delay in completion of construction of Chokpogang Irrigation	-	-	Settled
Total		1.566	0.566	1.000

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

2.1. PAYMENT MADE WITHOUT COMPLETION OF NURSERY WORKS - NU.1.000 MILLION

The BTFEC funded Project 'Integrated Wildlife Management for Sustainable Biodiversity Conservation & Livelihood' implemented by the Bumdeling Wildlife Sanctuary, Trashiyangtse had made payments of Nu.1.000 million to Green Bhutan Corporation Limited (GBCL), Thimphu without the actual completion of works in the establishment of Nursery at Sertham under Jaray Gewog, Lhuentse Dzongkhag. The payment for incomplete works was a violation of the terms and conditions of the contract and in deviation to the FAM-2016. The lapses had occurred apparently due to failure on the part of accounts personnel and Drawing and Disbursing Officer to exercise due diligence while verifying the bills. *AIN: 15571; Para: 1; Accountabilities: Direct: Tshering Dorji, Manager, EID # 2108017; Supervisory: Tshering Dawa, Forest Ranger, EID # 200407251.*

Status: *Observation not settled.*

2.2. PAYMENT WITHOUT EXECUTION OF WORK FOR CREATION OF HERITAGE FOREST

The Divisional Forest Office, Bumthang had made payment of Nu.0.603 million in June 2018 for creation of Heritage Forest in the identified area between Dorji Goenpa and Yotongla under Nubi Gewog, Trongsa out of which expenditure of Nu.0.121 million had been incurred leaving balance of Nu.0.482 million unutilized. However, the utilization of the balance amount and status of works were not submitted to RAA as of 31 March 2019. *AIN: 15605; Para: 2; Accountabilities: Direct: Jigme Tshewang, Forest Ranger, EID # 2108035; Supervisory: Kinzang Gyeltshen, CFO, EID# 9410071.*

Status: *The observation was settled as per the letter No.TR/Accts/24/2019/122 dated 17.09.2019 based on the completion report of Heritage Forest Creation submitted to the RAA.*

2.3. PAYMENT WITHOUT SUPPORTING DOCUMENTS

The Brown Swiss Cattle Farm, Bumthang had made payments of Nu.0.042 million without any supporting documents. The Receipts and Payments Statement of CD account maintained for collection and deposit of sales proceeds of milk reflected six instances aggregating to Nu.0.042 million as "payment made as per bank statement but not reflected in cash book". *AIN: 15157; Para: 5.3; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 200607060; Supervisory: Chhimi Dorji, Accountant, EID # 200607060.*

Status: *The observation was settled as a sum of Nu.0.032 million was deposited in the Bank by BSCFBF management as per letter No.BSCBF/accts-09/2019/108 dted 14/10/2019 and remaining amount settled as per the adjustment details submitted to the RAA vide letter No.RCBC/B/accounts-9/2020/21 dated 27/07/2020.*

2.4. WASTEFUL EXPENDITURE IN CONSTRUCTION OF MARKET SHED

The Divisional Forest Office (DFO), Samtse had incurred a wasteful expenditure of Nu.0.042 million in the construction of market shed for vendors at Bukey Dham. The height of the vertical post was not as per the design specified in the drawing as the height of the front post was increased and elevation of back post decreased during execution stage. In addition, the sheds had failed to provide protection to vendors as intended and the vendors had improvised it with additional bamboo mat and CGI sheets to protect from sun and rain.

The lapses had occurred due to failure on the part of contractor to execute the work as per drawing and design as well as inadequate monitoring and supervision of work by the site engineer and the supervising officer. *AIN: 15649; Para: 1.1; Accountabilities: Direct: L.N. Sharma, Principal Engineer, EID # 8312020; M/s Green House Construction, CDB No.1049; Supervisory: Yeshi Jamtsho, Chief Forestry Officer, EID # 200701031.*

Status: *The observation was settled vide letter No.SmFD/ADM/4-5/2019/88 dated.22/07/2019 since rectifications were done.*

2.5. NON-EXECUTION OF ITEMS OF WORK & SUBSTANDARD WORK NOTED IN PLANTATION SITES

The Jomotshangkha Wildlife Sanctuary had not executed item of work 'Dressing of post' in the afforestation programmes carried out on 40 hectares of plantation sites in Sukuni and Solmothang under Samdrupcholing Range Office. The fencing works at Solmothang was not executed for about one kilometer and at the Sukuni plantation site, portion of fencing was found damaged by wild elephants, but had not rectified the damages even at the time of audit in August 2018. In addition, the fencing works were not executed as per designs provided by the Green Bhutan Corporation Limited (GBCL) and were found sub-standard, which indicated poor workmanship. Further, payments had been released for works not executed. *AIN: 15506; Para: 1; Accountabilities: Direct: Thinley Tobgyel, GBCL, CID No. 10602000825; Supervisory: Ugyen Tshering, CFO, EID # 2008096.*

Status: *The observation was settled as the rectifications were carried out as per letter No. JWS/Adm-04/2019-2020/114 of 22/08/19.*

2.6. ADJUSTMENT OF THE BILLS WITHOUT FUND BALANCE AND OTHER IRREGULARITIES

The Ugyen Wangchuck Institute for Conservation & Environmental Research, Lamai Goempa, Bumthang had adjusted bills for activities under the HEROES project from the RGOB budget due to lack of fund balance under the project. Nu.0.172 million pertained to tuition fee for long term study; Nu.0.361 million pertained to the Annual HEROES penology training at Samdrup Jongkhar for 21 focal teachers and Nu.0.533 million for other project activities. The booking of project expenditure from the RGoB fund without prior approval from the competent authority was in violation of budgetary norms. *AIN: 15623; Para: 4; Accountabilities: Direct: Rinzin Namdol, Finance Officer, EID # 20130101144; Supervisory: Rinzin Namdol, Finance Officer, EID # 20130101144.*

Status: *The observation was settled as per letter No.UWICER/FIN-13/2019/183 dated 18/12/2019 on ex-post facto approval letter obtained from the Director, DoFPS, MoAF, Thimphu vide letter No.UWICER/FIN-13/2019/569 dated 24/12/2019.*

2.7. ELAY IN COMPLETION OF DREYCHHU IRRIGATION SCHEME AT NAMZHI UNDER KANA GEWOG, DAGANA AND LIABLE LIQUIDATED DAMAGES

The construction of Dreychhu Irrigation Scheme at Namzhi in Kana Gewog under Dagana Dzongkhag executed by the Department of Agriculture had commenced on 10 October 2015 and was scheduled

to complete on 10 April 2017. There were hindrances of 111 days for which time extension was granted till 30 July 2017, but the works were under progress at the time of audit in October 2018. The contractor M/s PST Construction is liable for maximum LD of 10% of the Contract Amount which amounts to Nu.2.900 million for the substantial delays. *AIN: 15657; Para: 2.1; Accountabilities: Direct: Puran Chhetri, Asstt. Engineer, EID # 200507227; Supervisory: Karma Tshethar, Chief Engineer, EID # 9901079.*

Status: *The observation was settled as Nu.3.441 million was deposited vide Rt.No.428628 dated 27/06/19 and 24% pa penalty on LD was waived off.*

2.8. NON-LEVY OF LIQUIDATED DAMAGES FOR DELAY IN COMPLETION OF CONSTRUCTION OF CHOKPOGANG IRRIGATION

The construction of Chokpogang Irrigation Scheme at Yalang Gewog, Trashiyangtse executed by the Department of Agriculture had commenced on 6 April 2015 and was scheduled to complete on 16 October 2016. However, the works were under progress at the time of audit in October 2018. The contractor M/s Sonam Mebar Construction is liable for maximum LD of 10% of the Contract Amount which amounts to Nu.4.321 million for the abnormal delays. *AIN: 15657; Para: 3.1; Accountabilities: Direct: Tshewang Gyeltshen, Principal Engineer, EID # 8501093; Supervisory: Karma Tshethar, Chief Engineer, EID # 9901079.*

Status: *The observation was settled as Nu.4.786 million was deposited vide Rt.No.428628 dated 27/06/19 and 24% pa penalty on LD waived off.*

3. Shortfalls, Lapses and Deficiencies – Nu.4.113 million

There were cases of shortfalls, lapses and deficiencies involving Nu.53.607 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled. Nu. in million	Balance Nu. in million
3.1	Payment exceeded the actual work done due to non-recovery of advances from the running accounts bill and grant of inadmissible advances	0.320	0.320	-
3.2	Short receipt of piglets	0.358	-	0.358
3.3	Non reconciliation of CD account	0.223	0.223	-
3.4	Outstanding personal advance	0.100	0.100	-
3.5	Payment made for the item not provided at site	0.089	0.089	-
3.6	Payment made more than actual item provided at site	0.050	0.050	-
3.7	Outstanding Advances	48.661	48.661	-
3.8	Excess payment of Salary and GPF due to wrong fixation of pay upon pay revision	0.039	-	0.039
3.9	Inconsistency in the maintenance of livestock at the Farm	-	-	Unsettle
3.10	Payments made without adequate supporting documents	3.716	-	3.716
3.11	Payment of transportation charges for study tour	0.050	0.050	-
3.12	Inadequate safeguard of spare parts	-	-	Settled
	Total	53.607	49.494	4.113

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

3.1. PAYMENT EXCEEDED THE ACTUAL WORK DONE DUE TO NON-RECOVERY OF ADVANCES FROM THE RUNNING ACCOUNTS BILL AND GRANT OF INADMISSIBLE ADVANCES

The Brown Swiss Cattle Farm, Bumthang had released total advances of Nu.8.589 million to M/s KW Construction for the contract 'Upscaling of Brown Swiss Farm at Lebi' out of which only Nu.4.606 million had been recovered from three Running Account Bills leaving a balance of Nu.3.983 million. However, the contract was terminated on account of failure to complete works within the stipulated time despite granting additional time and on grounds of executing sub-standard quality of work. At the time of termination, the total value of works executed by the contractor worked out at Nu.22.506 million against which Nu.19.014 million had already been paid. Against the balance of Nu.3.492 million payable to the contractor the balance advances of Nu.3.983 million was adjusted leaving net recoverable balance of Nu.0.491 million. The contractor had deposited Nu.0.171 million leaving a balance of Nu.0.320 million.

Further, as per contract terms and conditions, the contractor was imposed 10% liquidated damages amounting to Nu.2.251 million and Nu.1.277 million was deducted on account of 20% of remaining works valuing Nu.6.387 million. Subsequently, the contractor did not agree to the penalty imposed and took the case to court. *AIN: 15157; Para: 4.1; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 200607060; Supervisory: Chhimi Dorji, Accountant, EID # 200607060.*

Status: *The observation was settled as a sum of Nu.0.171 million was deposited vide R/No.469181 dated 17.07.2018 & the balance amount adjusted.*

3.2. SHORT RECEIPT OF PIGLETS - NU.0.358 MILLION

The Regional Pig Breeding Centre Yusipang had received 138 piglets against supply order placed for 143 piglets to M/s FINNOR-ASIA, Thailand vide letter no. DoL/Gen-52/2015-2016/335 dated 3 June 2016. The short receipt of 5 piglets resulted in an excess payment of Nu.0.358 million. *AIN: 15057; Para: 1.1; Accountabilities: Direct: Choidup Gyeltshen, Farm Manager, EID # 84003043; Supervisory: Choidup Gyeltshen, Farm Manager, EID # 8403043.*

Status: *Observation not settled.*

3.3. NON RECONCILIATION OF CD ACCOUNT

The Brown Swiss Cattle Farm, Bumthang had not carried out periodic reconciliation of the books of accounts for its CD Account maintained for collection and deposit of sales proceeds of milk. As on 31.01.2018, the bank closing balance as per cash book was Nu.0.239 million, but as per bank statement the balance as on same date was only Nu.0.016 million revealing a huge difference of Nu.0.223 million, which was yet to be reconciled. *AIN: 15157; Para: 5.1; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 200607060; Dorji Samdrup, Sr. LPS, EID # 200407225; Pema Tshering, Driver, EID # 201006051; Supervisory: Chhimi Dorji, Accountant, EID # 200607060.*

Status: *The observation was settled as per letter No.BSCBF/acctts-09/2019/108 dated 14/10/2019 based on the fact that the amount have been deposited in to Bank account and the amounts were properly accounted for.*

3.4. OUTSTANDING PERSONAL ADVANCE

The Brown Swiss Cattle Farm, Bumthang had overdue outstanding Personal Advances amounting to Nu.0.100 million against various officials. *AIN: 15157; Para: 5.4; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 200607060; Supervisory: Chhimi Dorji, Accountant, EID # 200607060.*

Status: *The observation was settled as per the letter No.RCBC/B/accounts-9/2020/21 dated 27/07/2020 based on the adjustment details submitted to the RAA.*

3.5. PAYMENT MADE FOR THE ITEM NOT PROVIDED AT SITE - NU.0.089 MILLION

The Wangchuck Centennial National Park, Bumthang had made excess payment of Nu.0.089 million for items or work not provided at site in the providing and fixing ceiling joist for manager and caretaker's quarters in the establishment of Tibetan Mastiff conservation project at Gasa. Payments were found made for quantities in excess of the actual quantities executed at site. The excess payment had occurred due to improper verification of the quantities of work executed and non-adherence with the drawing and design by the site engineer. *AIN: 15606; Para: 5.2; Accountabilities: Direct: M/s. PKC Construction, Thimphu, CDB # 2536; Supervisory: Tawchu Rabgay, Livestock Officer, EID #: 9507139.*

Status: *The observation was settled since the amount being deposited into their CD account as per the letter No.4(8)BSCBF/accts/2018/372 dated 07/06/2018.*

3.6. PAYMENT MADE MORE THAN ACTUAL ITEM PROVIDED AT SITE

The Wangchuck Centennial National Park, Bumthang had made excess payment of Nu.0.050 million for steel works in kennel due to payment for quantities in excess of the actual quantities executed at site in the establishment of Tibetan Mastiff conservation project at Gasa. The excess payment had occurred due to improper verification of the quantities of work executed at site by the concerned site engineer. *AIN: 15606; Para: 5.1; Accountabilities: Direct: M/s. PKC Construction, Thimphu, CDB # 2536; Supervisory: Tawchu Rabgay, Livestock Officer, EID #: 9507139.*

Status: *The observation was settled as per letter No.NHRDC/MBC/01/2019/34 dated 06/06/2019 as field verification report on Mastiff Farm submitted to the RAA with pictorial evidences duly endorsed by Site Engineer & Internal Auditor.*

3.7. OUTSTANDING ADVANCES

The Department of Agriculture had overdue outstanding Public Works Advances amounting to Nu.48.661 million for the financial year 2015-2016 lying unadjusted even after lapse of more than two financial years at the time of audit in October 2018. The lapses had apparently occurred due to failure to regulate the payments and timely adjustments of advances as per the FRR. *AIN: 15657; Para: 5; Accountabilities: Direct: Meera Darjee, Accountant, EID #9705003; Supervisory: Pema Tenzin, CAO, EID #2101178.*

Status: *The observation was settled as all the outstanding amounts were adjusted.*

3.8. EXCESS PAYMENT OF SALARY AND GPF DUE TO WRONG FIXATION OF PAY UPON PAY REVISION - NU.0.039 MILLION

The Brown Swiss Cattle Farm, Bumthang had made excess payments amounting to Nu.0.039 million due to wrong pay fixation and GPF calculations at the time of Pay Revision. *AIN: 15157; Para: 2; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 200607060; Supervisory: Chhimi Dorji, Accountant, EID # 200607060.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA-BT/Fus-03/2020/1113 dated 26/06/2020.*

3.9. INCONSISTENCY IN THE MAINTENANCE OF LIVESTOCK AT THE FARM

The Regional Pig Breeding Centre Yusipang had not maintained records in a timely manner, which impeded the review of mortality rate and productivity of newly introduced breed of pigs. 22 of 138 pigs imported had died indicating a mortality rate of 16%. While 83 of the 119 female pigs had delivered a total litter of 881 piglets, 4 had not farrowed even once and for 10, pregnancy had failed repeatedly. There were also inconsistencies in the lactation cycle of the pigs. The Centre had neither conducted medical investigation, nor consulted veterinary experts on the issue, indicating

apathy of the management towards its responsibilities. *AIN: 15057; Para: 1.2; Accountabilities: Direct: Choidup Gyeltshen, Farm Manager, EID # 8003043; Supervisory: Choidup Gyeltshen, Farm Manager, EID # 8403043.*

Status: *Observation not settled.*

3.10. PAYMENTS MADE WITHOUT ADEQUATE SUPPORTING DOCUMENTS – NU.3.716 MILLION

The Department of Agriculture had paid Nu.1.779 million to M/s K Bhims Construction and Nu.1.937 million to M/s Guru Chana Dorji Construction without attesting copy of money receipts for royalty payments made to the Department of Forests & Park Services for trees felled by the contractors. *AIN: 15104; Para: 1; Accountabilities: Direct: Chetem Wangchen, ES II A, EID # 8707016; Supervisory: Kinga Norbu, Program Director, AMC, EID # 200501116.*

Status: *Observation not settled.*

3.11. PAYMENT OF TRANSPORTATION CHARGES FOR STUDY TOUR

The Territorial Division, DFO, Sarpang had released Nu.0.050 million as advance to group of officials for a study tour to Thailand for contingencies but was used for payment of transportation charges. Since the participants were paid full DSA, the transportation allowances was not admissible as per BCSR. The practice is indicative of poor financial discipline and internal controls in the system. *AIN: 15439; Para: 3.2; Accountabilities: Direct: Sonam Tshering, Accountant, EID # 8901055; Supervisory: Phub Dhendup, CFO, EID # 201001161.*

Status: *The observation was settled as per the supporting document submitted by the agency vide letter No.SFD/Acct-04/2018-19/1730 of 30/4/2019.*

3.12. INADEQUATE SAFEGUARD OF SPARE PARTS

The Central Machinery Unit, Bumthang had not ensured adequate storage of machine spare parts stored in the regional stores at Khangma and Gelephu. New and old spare parts were found stacked in open surface without adequate safeguards or custody. The management reported of proposal to construct adequate storage facilities being rejected citing unavailability of funds. *AIN: 15450; Para: 1; Accountabilities: Direct: Jambay Yonten, Regional Manager, EID # 8812081; Kezang Tobgay, Regional Manager, EID # 9001095; Supervisory: Rinchen Wangdi, Chief Program Officer EID # 8808042.*

Status: *The observation was settled as per letter No.CMU/ADMN-12/2020/1699 dated 06/02/2020 as the storage of materials were properly done.*

1.3.1.2 MINISTRY OF ECONOMIC AFFAIRS

During the year, the RAA conducted 18 audits of Ministry of Economic Affairs. There were 23 observations amounting to Nu.9.397 million of which 10 observations amounting to Nu.4.138 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.5.259 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Ministry and its departments, divisions and units, observations amounting to Nu.4.959 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.300 million as summarised below.

Out of the total unresolved irregularity of Nu.0.300 million reported to the Parliament in June 2019, the same had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Ministry as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-Compliance to Laws and Rules	0.300	0.300	-	100
	Total	0.300	0.300	-	

The details of unsettled irregularity reported to the Parliament in June 2019 which was settled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules amounting to Nu.0.300 million as summarised below:

1.1. NON-FORFEITURE OF ERNEST MONEY DEPOSIT – NU.0.300 MILLION

The Department of Trade had failed to forfeit and recover Earnest Money Deposit (EMD) of Nu.0.300 million from the lowest bidder upon his withdrawal from the contract to construct External Water Supply for the proposed relocated POL Depot Project at Thinchupangkha. M/s D&B Construction, Thimphu was awarded the Letter of Intent for the contract with the condition that the contractor should furnish the differential amount together with the deposit of 10% Security Deposit as recommended by the Departmental Level Tender Committee (DLTC). The performance guarantee was not found obtained and three days later the contractor withdrew his offer citing inability to execute the work.

The Department had accepted the withdrawal without levying any penalty on M/s D&B Construction, and the contract was awarded to M/s Uphel Construction, Thimphu, the second lowest bidder for Nu.8.806 million by the DLTC. *AIN: 15220; Para: 1; Accountabilities: Direct: Yeshey Lham, Dy. Chief Trade Officer, EID # 2101189; Supervisory: Sonam Tenzin, Director, EID # 9407078.*

Status: *The observation was settled based on the justification furnished vide letter No.MoEA/DT/ POL-27/2019 /4756 dt.19/09/2019.*

1.3.1.3 MINISTRY OF FINANCE

During the year, the RAA conducted nine audits of Ministry of Finance and its departments, divisions and units. There were 14 observations amounting to Nu.1.087 million of which eight observations amounting to Nu.0.208 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.879 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Ministry and its departments, divisions and units, observations amounting to Nu.0.192 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.687 million as summarised below.

Out of the total unresolved irregularities of Nu.0.687 million reported to the Parliament in June 2019, Nu.0.306 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Ministry and its departments, divisions and units. The unresolved significant irregularities amounting to Nu.0.381 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	0.261	0.056	0.205	21.46
2	Non-Compliance to Laws and Rules	-	-	-	100
3	Shortfalls, Lapses and Deficiencies	0.426	0.250	0.176	58.69
Total		0.687	0.306	0.381	44.54

The details of unsettled irregularities reported to the Parliament in June 2019; irregularities settled thereafter and unsettled balances as on 30 Sept. 2020 are as discussed below

1. Mismanagement - Nu.0.205 million

There was a case of mismanagement involving Nu.0.261 million as indicated below:

1.1. NON-REALIZATION OF THE OUTSTANDING SALES TAX - NU.0.205 MILLION

The Regional Revenue and Customs Office (RRCO), Bumthang had not realised outstanding sales tax amounting to Nu.0.317 million from three business units i.e. M/s Hotel Jakar View - Nu.0.056 million; M/s Araya Zhamlha Guest House - Nu.0.020 million; and M/s Kinzang Norling International - Nu.0.241 million. Sales Tax for Income Years 2014 and 2015 had remained unrealized even at the time of audit in October 2017.

As of 31 March 2019, outstanding tax amounting to Nu.0.056 million pertaining to M/s Hotel Jakar View was recovered leaving balance of Nu.0.261 million. *AIN: 15020; Para: 2; Accountabilities: Direct: Tashi Phuntsho, Asst. Collector, EID # 201101050; Supervisory: Jit Badhur Waiba, Regional Director, EID # 8607062.*

Status: *Observation partially settled. A sum of Nu.0.056 million was collected From M/s Hotel Jakar View and deposited into RGR vide R/No.RC621887569918 dated 09/03/2018 as per letter No.RRCO/BM/ADM-18/1412 dated 04/04/2018. The unsettled balance as on 30 Sept. 2020 was Nu.0.205 million.*

2. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Acceptance of defective works	-	-	Settled
2.2	Short/excess deposit of revenue as per the RAMIS Report	-	-	Settled
Total		-	-	

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

2.1. ACCEPTANCE OF DEFECTIVE WORKS

The RRCO, Phuentsholing had accepted defective works in the construction of Revenue & Customs check-post at Pasakha. Defects were noted in the flooring works and the RRM wall behind the building and the RRCO had not directed the contractor to rectify the defective works. The lapses had occurred mainly due to poor workmanship and improper supervision and monitoring by the dealing official and failure on the part of the Supervising Officer to exercise necessary checks to ensure the quality of work done. *AIN: 15622; Para: 1.3; Accountabilities: Direct: Ugyen Choden, Engineer, EID # 200301058; M/s Green Star Builder, Thimphu CDB # 4163; Supervisory: Karma Wangdi, Administrative Officer, EID # 200705100.*

Status: *The observation was settled as the defective works were rectified vide letter No. RRCO/PL/ADM-20/2019-2020/964 dated 27.8.2019.*

2.2. SHORT OR EXCESS DEPOSIT OF REVENUE AS PER THE RAMIS REPORT

The RRCO, Bumthang had not reconciled revenue accounts periodically with resultant short/excess deposit of revenue as per Revenue Administration Management Information System (RAMIS). The cashbook for the Financial Year 2016-2017 reflected short deposits aggregating to Nu.0.301 million and excess deposits aggregating to Nu.0.084 million as on 30 June 2017. The discrepancies were attributed to error in synchronization of system modules that led to generation of erroneous report. The RRCO, Bumthang and the Department of Revenue and Customs had failed to ensure proper functioning of RAMIS although it has been operational for more than two years. *AIN: 15020; Para: 3; Accountabilities: Direct: Chimi Namgyel, Asst. Collector, EID # 200901060; Supervisory: Jit Badhur Waiba, Regional Director, EID # 8607062.*

Status: *The observation was settled as per clarification letter obtained from RRCO, Thimphu vide letter No.DRC/RAAD/2020/Gen2/1624 dated 19/02/2020 that the differences had been rectified.*

3. Shortfalls, Lapses and Deficiencies - Nu.0.0.176 million

There was a case of shortfalls, lapses and deficiencies involving Nu.0.426 as indicated below:

3.1. OVERDUE OUTSTANDING ADVANCES - NU.0.176 MILLION

The Liaison and Transit Office (LTO) in Kolkata under Department of Revenue and Customs had overdue outstanding advances amounting to Nu.0.426 million against an official lying unadjusted since financial year 2014-2015 and FY 2015-2016. *AIN: 15078; Para: 2; Accountabilities: Direct: Ugyen Namgyel, Commissioner, EID # 9101155; Supervisory: Gyeltshen, Commissioner, EID # 9711010.*

Status: *Observation partially settled. An amount Nu. 0.250 million has been deposited vide receipt No. 456637 dated 3.7.2019 leaving a balance of Nu.0.176 million as on 30 Sept. 2020.*

1.3.1.4 MINISTRY OF FOREIGN AFFAIRS

During the year, the RAA conducted eight audits of Ministry of Foreign Affairs and its embassies and missions abroad. There were 15 observations amounting to Nu.25.011 million of which three observations amounting to Nu.0.129 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.24.882 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Ministry and its embassies and missions abroad, observations amounting to Nu.15.317 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.9.565 million as summarised below.

Out of the total unresolved irregularities of Nu.9.566 million reported to the Parliament in June 2019, Nu.0.396 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Ministry and its embassies and missions abroad. The unresolved significant irregularities amounting to Nu.9.170 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	3.709	-	3.709	-
2	Non-Compliance to Laws and Rules	4.003	-	4.003	-
3	Shortfalls, Lapses and Deficiencies	1.854	0.396	1.458	21.4
	Total	9.566	0.396	9.170	4.14

The details of unsettled irregularities reported to the Parliament in June 2019; irregularities settled thereafter and unsettled balances as on 30 Sept. 2020 are as discussed below:

1. Mismanagement - Nu.3.709 million

There were cases of mismanagement involving Nu.3.709 million as indicated below:

1.1. INSURANCE CLAIM NOT DEPOSITED INTO RGR ACCOUNT – NU.3.709 MILLION

The Permanent Mission of the Kingdom of Bhutan to the United Nations (PMB), New York, USA had paid Nu.2.054 million (USD 28,018.94) towards insurance package of office building, machines and others covering the period from 13 November 2017 to 13 November 2018. During the insured period, there was damages to the basement floor caused by damage to Water Sprinkler system for which the Mission had initiated and claimed insurance of Nu.3.709 million (USD 50,595.79). The amount received was not found deposited into the bank account of the Mission even at the time of audit in July 2018. Further, the insurance claim received was not accounted for in the books of accounts of the Mission.

The Mission informed that the insurance claim would be utilized for the repair and maintenance works for damages caused by the water sprinkler. However, as there is separate budget available under the budget object code - maintenance of building for repair and maintenance works, the retention of insurance claim received was not appropriate.

As of 31 March 2019, the Mission reported of having deposited the insurance claim into the Mission's Account in the month of August 2018 and USD15,961.79 have been used for repair of the water sprinkler and alarm system. *AIN: 15587; Para: 4; Accountabilities: Direct: Sonam Gyeltshen, Head of Chancery, EID # 2101179; Supervisory: Doma Tshering, Ambassador, EID # 9111022*

Status: *Observation not settled.*

2. Non-compliance to Laws and Rules - Nu.4.003 million

The case of non-compliance to laws and rules involving Nu.4.003 million are as indicated below:

2.1. PAYMENT OF MEDICAL EXPENSES WITHOUT SUPPORTING DOCUMENTS – NU.4.003 MILLION

The PMB, New York, USA had made payments amounting to Nu.4.003 million (USD 54,604.99) on account of medical expenses without supporting documents. Medical expenses of Nu.0.815 million

(USD 11,114.29) pertained to domestic helper and Nu.3.188 million (USD 43,490.70) pertained to four local recruits paid as monthly lump sum allowance of USD 483.23 in contravention to the Foreign Service Entitlement Rules 2002¹. Further, the medical expenses amounts for domestic helper were found deposited into the Permanent Representative's personal account without availing health insurance coverage or supporting medical bills.

The PMB, New York produced the acknowledgement of having received medical expenses by the domestic helper to RAA. *AIN: 15587; Para: 2a; Accountabilities: Direct: Chador Wangdi, PS, CID # 11502003181; Namgay Pem, OS, CID # 11006001556; Kinley Dorji, Driver, CID # 11704001350; Kunzang C Namgyel, Ambassador, EID # 8001018; Doma Tshering, Ambassador, EID # 9111022; Supervisory: Kuenzang C Namgyel, Ambassador, EID # 8001018; Doma Tshering, Ambassador, EID # 9111022.*

Status: *Observation not settled.*

¹ **Medical Facilities** - 6.1. 'A member and his family residing abroad shall be entitled to medical facilities, including cost of hospitalization aser the medical treatment rules and regulations or health insurance coverage that may be available in the country of posting'. **Domestic Help** - 'A head of mission shall be entitled to one domestic help whose air passage, home leave passage and medical expenses shall be borne by the government'.

Shortfalls, Lapses and Deficiencies - Nu.1.458 million

There were cases of shortfalls, lapses and deficiencies involving Nu.1.854 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled. Nu. in million	Balance Nu. in million
3.1	Irregular refund of medical insurance	1.458	-	1.458
3.2	Unadjusted outstanding advances	0.204	0.204	-
3.3	Excess payment to M/s Restoration Hardware	0.192	0.192	-
	Total	1.854	0.396	1.458

There were cases of shortfalls, lapses and deficiencies involving Nu.1.854 million as indicated below:

2.2. IRREGULAR REFUND OF MEDICAL INSURANCE – NU.1.458 MILLION

The PMB, New York had made irregular refund of medical insurance amounting to Nu.1.458 million (USD 20,488.77) to the former Deputy Permanent Representative (DPR) of the Mission, Mr. Tshering Gyaltsen Penjor. The former DPR's spouse worked for the UNICEF office in Budapest, Hungary and enjoyed medical and dental insurance benefits that covered her spouse as well.

However, the full medical insurance contributions amounting to Nu.1.458 million made to UNICEF by the spouse was found refunded by the Mission to the former DPR through an approved Note Sheet dated 1 August 2014 citing cost savings to the Government. There was apparent ambiguity and lack of clarity on the reimbursement made by the Mission to the former DPR. *AIN: 15587; Para: 2b; Accountabilities: Direct: Tshering Gyeltshen Penjor, Ambassador, EID No; 9202008; Supervisory: Kuenzang C Namgyel, Ambassador, EID # 8001018.*

Status: *Observation not settled.*

2.3. UNADJUSTED OUTSTANDING ADVANCES

The Royal Bhutanese Embassy, Bangkok had overdue outstanding Personal Advances amounting to

Nu.0.113 million and PW Advances of Nu.0.091 million. The advances were due since the financial year 2016-2017. *AIN: 15232; Para: 1; Accountabilities: Direct: Shoontorn Sankrjai, Driver, CID No.3-4305-00147-31-1(THB29,280.88); Somchai Khamkhotsun, Driver, CID No.3-4510- 00238-27-1(THB252.94); Tanakorn Tungtanaguk, Driver, CID No.3-4099-00683-28-6(THB-19,175.00); Jittaphon Sudtagad, Driver, 3-1006-02029-88-4(THB9,811.76); Shoontorn Sankrjai, Driver, CID No. 3-4305-00147-31-1(THB-14,161.77); Supervisor: Tshering Yangdon, HoC, EID # 8108012.*

Status: *The observation was settled as all the outstanding advances were adjusted and balances carried forward to the subsequent report AIN 16039.*

2.4. EXCESS PAYMENT TO M/S RESTORATION HARDWARE

The PMB, New York had made excess payment of Nu.0.192 million (USD 2,700.00) to M/s Restoration Hardware for supply of furniture in the residence of Ambassador which was inclusive of handling charges & shipping. Scrutiny of the ordered quantity of furniture against the rates of the furniture revealed that the total bill amounted to only USD 36,606.77 against the payment of USD 39,306.77 with resultant excess payment of USD 2,700.

The PMB, New York reported of having received a credit note for equivalent amount from the supplier. *AIN: 15587; Para: 6.2; Accountabilities: Direct: Sonam Gyeltshen, Head of Chancery, EID # 2101179; Supervisory: Doma Tshering, Ambassador, EID # 9111022.*

Status: *Observation partially settled. Nu.0.198 million has been deposited with the RAA vide Receipt No.429399 dated 10/12/2019, however, the accumulated 24% pa penalty remained unrecovered.*

1.3.1.5 MINISTRY OF HEALTH

During the year, the RAA conducted 20 audits of Ministry of Health and its departments, divisions and units. There were 43 observations amounting to Nu.15.200 million of which 13 observations amounting to Nu.3.606 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.11.594 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Ministry and its departments, divisions and units, observations amounting to Nu.11.421 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.173 million as summarised below.

Out of the total unresolved irregularities of Nu.0.173 million reported to the Parliament in June 2019 all had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Ministry and its departments, divisions and units as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	-	-	-	100
2	Non-Compliance to Laws and Rules	0.034	0.034	-	100
3	Shortfalls, Lapses and Deficiencies	0.139	0.139	-	100
	Total	0.173	0.173	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which were settled as

on 30 Sept. 2020 are as discussed below:

1. Fraud, Corruption and Embezzlement

There was a case of fraud, corruption and embezzlement as indicated below:

1.1. ACCEPTANCE OF 6 MM THICKNESS NON-SKID TILES INSTEAD OF 10 MM THICKNESS IN FLOORING WORKS AS SPECIFIED IN BILL OF QUANTITY

The GoI funded Project 'Construction of 20-bedded District Hospital, Tsirang' implemented by Department of Medical Services & Health Infrastructure (DMS&HI) had accepted non-skid tiles other than the specified thickness with resultant payment at higher rates amounting to Nu.0.691 million. The contractor had provided 6 mm thick non-skid tiles for flooring works instead of the specified 10 mm thickness but claimed rates for 10 mm thick non-skid tiles. The Site Engineer had failed to exercise due diligence in verifying material quality, specifications as well as claims for payment. Acceptance of sub-standard materials and extending undue favour to the contractor can be construed as collusive practices.

As of 31 March 2019, the cost difference of Nu.0.277 million between 6 mm and 10 mm non-skid tiles was recovered. Appropriate action against the supervisory accountable official has been taken pending appropriate action against the direct accountable official. *AIN: 15234; Para: 3; Accountabilities: Direct Accountability: Jangchuk Dorji, Site Engineer (Contract), CID #10905001736; Supervisory: Karma, Project Manager, EID # # 9607005.*

Status: *The observation was settled as an amount of Nu.0.277 million was deposited vide Receipt No. 428387 dated 08/01/2019 and balance amount was dropped. Administrative action was also taken against the accountable person.*

2. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules involving Nu.0.034 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Deficiencies in maintenance of medical certificate stock and irregularities thereof	-	-	Settled
2.2	Damage on the permanent structure needs rectification/recovery	0.034	0.034	-
2.3	Mismatch between the GOI approved project design and the actual construction resulted into compromising of floor and room sizes and irregularities in management of project fund	-	-	Settled
Total		0.034	0.034	-

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

2.1. DEFICIENCIES IN MAINTENANCE OF MEDICAL CERTIFICATE STOCK AND IRREGULARITIES THEREOF

The General Hospital, Phuentsholing had deficiencies in the maintenance of Medical Certificate stock.

The Health Screening Service Center did not maintain a Medical Certificate stock register. In addition, some of the Medical Certificate booklets did not bear proper printed serial numbers on the leaflets and in certain cases, the serial numbers were missing at intervals. Since the Medical Certificate (MC) carries a monetary value, the non-maintenance of proper stock, with the prevalence of anomalies in printing of serial numbers not only impairs transparency and accountability but may lead to serious monetary repercussions later. As per the Revenue Report of the RAMIS, the total collection from issue of Medical Certificate (MC) for the financial year (FY) 2016-2017 aggregated to Nu.8.956 million. *AIN: 15644; Para: 5.1; Accountabilities: Direct: Uma Pradhan, Accounts Officer, EID # 201101060; R.B. Ghallay, Accounts Officer, EID # 8801083; Neeta Chettri, Assistant Accountant, EID # 8712039; Tshering Wangmo, Assistant Accountant, EID # 1759; Supervisory: Dr. Thinley Pelzang, Offtg.CMO, EID # 201001133; Pema Chhoden, Adm. Asstt., EID # 20120500360.*

Status: *The observation was settled vide letter No. RAA/OAAG-Pling/MoH-PGH-D6/2019/4+94 dated 7.8.2019 since the management has reconciled medical certificate stock.*

2.2. DAMAGE ON THE PERMANENT STRUCTURE VALUING NU.0.034 MILLION NEEDS RECTIFICATION/RECOVERY

The General Hospital, Phuentsholing had not instructed the contractor to rectify damaged blacktopping works valuing Nu.0.034 million. The bitumen seal coat and premixed sand seal coat were found damaged along stretch of the road. The defects along the road had developed primarily due to works not meeting the required technical specifications coupled with poor supervision and monitoring by site engineer. *AIN: 15644; Para: 4.2; Accountabilities: Direct: R. Convindane, Asst. Engineer, EID # 20010704484; M/s Jasim Construction, CDBNo. 6549; Supervisory: Dr. Thinley Pelzang, Offtg.CMO, EID # 201001133; Pema Chhoden, Adm. Asstt., EID # 201205003.*

Status: *The observation was settled based on letter No.Ref/PGH/ADM-07/2018-2019/1719 dated 25.2.2019 as rectification report endorsed by PGH management was submitted to the RAA.*

2.3. MISMATCH BETWEEN THE GOI APPROVED PROJECT DESIGN AND THE ACTUAL CONSTRUCTION RESULTED INTO COMPROMISING OF FLOOR AND ROOM SIZES AND IRREGULARITIES IN MANAGEMENT OF PROJECT FUND

The GoI funded Project 'Construction of 20-bedded District Hospital, Tsirang' implemented by DMS&HI had constructed a 20-bedded hospital instead of a 40-bedded hospital as per the project agreement. The project estimate, architectural and structural drawings of Tsirang Hospital was compared against the 40-bedded Samtse Hospital. It revealed that the 40-bedded Samtse Hospital was estimated at Nu.199.698 million and tendered out for 226.446 million and the 20-bedded Tsirang Hospital was estimated at Nu.228.768 million and tendered out at Nu.225.611 million.

Discrepancies were also noted in the floor and room sizes. While the 40-bedded Samtse Hospital had a floor area of 8,490.73 Sqm and 56 beds with room area of 923.4 Sqm, the 20-bedded Tsirang Hospital had a floor area of 4,525.31 Sqm and 40 beds with room area of 376.0 Sqm.

In addition, it was observed that Nu.5.320 million had been diverted to 40-bedded Samtse Hospital on account of clearing contractual obligation without the approval of the Ministry of Finance. From the total approved budget of Nu.254.430 million, Nu.194.565 million had been spent at the time of audit in March 2018. *AIN: 15234; Para: 1; Accountabilities: Direct: Karma, Project Manager, EID # 9607005; Supervisory: Karma, Project Manager, EID # 9607005*

Status: *The observation was settled vide letter No.RAA/FUCD/GoI Project/DMSHI/MoH/2020/838 dated 20/04/2020 based on the justification furnished.*

3. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies involving Nu.0.139 million as summarised

below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1	Payment of full DA instead of 50% DA for period beyond 30 days halt on duty at one particular place	0.056	0.056	-
3.2	Overpayment of TA/DA due to overlapping dates in the TA/DA claims	0.052	0.052	-
3.3	Claim of TA/DA by enhancing to higher grades	-	-	Settled
3.4	Short deposit of refundable deposit receipts into refundable deposit accounts	0.031	0.031	-
	Total	0.139	0.139	-

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

3.1. PAYMENT OF FULL DA INSTEAD OF 50% DA FOR PERIOD BEYOND 30 DAYS HALT ON DUTY AT ONE PARTICULAR PLACE - NU.0.056 MILLION

The GoI funded Project 'Construction of 20-bedded District Hospital, Tsirang' implemented by DMS&HI had made payments amounting to Nu.0.056 million on account of Daily Subsistence Allowance (DSA) to Mr. Darjay, Driver for halts beyond 30 days of continuous halt on duty at one particular place in contradiction to provisions of BCSR. The accounts personnel had failed to abide by the entitlement provisions of the BCSR. *AIN: 15234; Para: 5; Accountabilities: Direct: Darjay, Driver, EID # 200504008; Supervisory: Karma, Project Manager, EID # 9607005.*

Status: *The observation was settled as the amount was deposited vide Rt.No.428675 dated 16/8/2019.*

3.2. OVERPAYMENT OF TA/DA DUE TO OVERLAPPING DATES IN THE TA/DACLAIMS - NU.0.052 MILLION

The Department of Public Health had made overpayments amounting to Nu.0.090 million on account of TA/DA payments to officials for in-country trainings/workshops conducted by the Department. The officials had made TA/DA claims from the Department's Letter of Credit (LC) Account as well as from different donor funded project accounts maintained for UNICEF, WHO and UNFPA by way of overlapping the travel dates. The lapses had occurred due to lack of proper scrutiny by the respective training Coordinators/Programme Managers and Accounts personnel and due to lack of information sharing and coordination amongst different project accountants while passing the TA/DA claims.

As of 31 March 2019, recoveries of Nu.0.038 million was made leaving balance of Nu.0.052 million. *AIN: 15291; Para: 3; Accountabilities: Direct: Dawa Dema, HA, Khomshar BHU, EID # 20151106143; Karma Yangchen, HA, Langdurbi BHU, EID # 20907077; Ugyen Dorji, DHO, Lhuentse, EID # 9707029; Ugyen Tshewang, HA, Lingmethang BHU, EID # 9607057; Rinchen Dorji, HA, Lhuentse Hospital, EID # 201007109; Supervisory: Jit Bahadur Darnal, EID # 8803046; Chimi Dema, EID # 200605042; Rada Drukpa, EID # 201001023.*

Status: *The observation was settled as all the amount were recovered and deposited.*

3.3. CLAIM OF TA/DA BY ENHANCING TO HIGHER GRADES

The Department of Medical Services had made inadmissible payments amounting to Nu.0.088 million on account of TA/DA payments to officials for in-country trainings/workshops conducted by the Department. The officials had claimed TA/DA by enhancing to higher grades. The lapses had occurred due to lack of proper scrutiny by the respective training Coordinators/Programme Managers

and Accounts personnel and also due to lack of information sharing and coordination amongst different project accountants while passing the TA/DA claims.

As of 31 March 2019, the entire inadmissible payment was recovered pending appropriate action against the individuals. *AIN: 15307; Para: 1; Accountabilities: Direct: Choki Dhendup, HA, EID # 200308037; Tandin, TCA, EID # 201103007; Supervisory: Ugyen Zangmo, DCPO, EID # 9501007; Jamtsho, CPO, EMSD, EID # 8203026.*

Status: *The observation was settled as the amounts were recovered and administrative action taken against the accountable persons.*

3.4. SHORT DEPOSIT OF REFUNDABLE DEPOSIT RECEIPTS INTO REFUNDABLE DEPOSIT ACCOUNTS - NU.0.031 MILLION

The General Hospital, Phuentsholing had short-deposited Refundable Deposit Receipts amounting to Nu.0.031 million into the Refundable Deposit Account during the financial year 2014-15. Further, the overall fund reconciliation also revealed that the agency had neither refunded to the parties nor deposited into the Refundable Deposit Account maintained with DPA. *AIN: 15644; Para: 1; Accountabilities: Direct: Uma Pradhan, Accounts Officer, EID # 2011010063; R.B. Ghallay, Accounts Officer, EID # 8801083; Supervisory: Dr. Thinley Pelzang, Offtg. CMO, EID # 201001133; Pema Choden, Adm. Asstt., EID # 2012050036.*

Status: *The observation was settled vide letter No. PGH/Acctts/Audit/2019-20/436 dated 20.8.2019, since the amount in question has now been refunded to contractor.*

1.3.1.6 MINISTRY OF HOME AND CULTURAL AFFAIRS

During the year, the RAA conducted 20 audits of Ministry of Home and Cultural Affairs, its departments, divisions and units. There were 19 observations amounting to Nu.3.158 million of which nine observations amounting to Nu.1.661 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.497 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Ministry and its departments, divisions and units, observations amounting to Nu.0.444 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.053 million as summarised below.

Out of the total unresolved irregularities of Nu.1.053 million reported to the Parliament in June 2019, Nu.0.516 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Ministry and its departments, divisions and units. The unresolved significant irregularities amounting to Nu.0.537 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-Compliance to Laws and Rules	0.978	0.516	0.462	53
2	Shortfalls, Lapses and Deficiencies	0.075	-	0.075	-
	Total	1.053	0.516	0.537	49

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled balances as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules – Nu.0.462 million

There were cases of non-compliance to laws and rules involving Nu.0.978 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Relieving from service without fulfilling the service/financial obligation	0.699	0.516	0.183
1.2	Non-deposit of contractor's financial obligation upon termination of contract	0.237	-	0.237
1.3	Items provided other than specified and recoverable thereof	0.042	-	0.042
1.4	Delay in construction of academic block of RBP Training Institute	-	-	Unsettled
1.5	Delay in construction of temporary family quarters at Rinchening check post, Phuentsholing	-	-	Unsettled
1.6	Expired Bank Guarantee (10% Performance Security)	-	-	Unsettled
1.7	No relevant documents for additional works executed	-	-	Unsettled
1.8	Non-completion of the work on time and liquidated damages leviable	-	-	Unsettled
1.9	Non-implementation of provision of the Prison Act Of Bhutan 2009	-	-	Unsettled
Total		0.978	0.516	0.462

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

1.1. RELIEVING FROM SERVICE WITHOUT FULFILLING THE SERVICE/FINANCIAL OBLIGATION- NU.0.183 MILLION

The Department of Immigration and the Human Resource Division under Ministry of Home & Culture Affairs had accepted the voluntary resignation and relieved an Immigration Inspector without having fulfilled the service and financial obligations. The official had not been paid retirement benefits amounting to Nu.0.699 million, despite having been relieved from the Immigration Office, Paro International Airport in June 2016. In addition, there was no Separation Order from the RCSC on record.

Further, the official also had in-service training obligation for study leave of 36 months availed to pursue Bachelor of Commerce (Hons.) on self-funding mode with full pay at Raid Laban College, Shillong, India. The study leave was granted in 2010 and he had reported back to duty in 2014. The official was relieved without observing the provision of the BCSR on service and financial obligation. *AIN: 15336; Para: 1; Accountabilities: Direct: Damchu Wangdi, EID # 200201042; Chief Immigration Officer, Paro International Airport, Paro; Supervisory: Norbu Wangchuk, EID # 200701153, Sr. Immigration Officer, DoI, Thimphu.*

Status: Observation partially settled. An amount of Nu.0.517 million has been deposited vide receipt No. 428538 dated 23/4/2019 leaving a balance of Nu.0.183 million.

1.2. NON-DEPOSIT OF CONTRACTOR'S FINANCIAL OBLIGATION UPON TERMINATION OF CONTRACT - NU.0.237 MILLION

The GoI funded 'Phajoding Conservation Project' implemented by Department of Culture had not recovered the financial obligation amount of Nu.0.237 million upon termination of contract from M/s Chencho Dhrupjur Construction in the construction of Dinning-cum-Kitchen and Toilet at Phajoding Monastery. *AIN: 15362; Para: 1; Accountabilities: Direct: Sonam Tobgay, CID #11501001831, Project Engineer, (Contract) PMCP, DoC; Pasang Norbu, M/s Chencho Drupjur Construction, Shaba, Paro, CDB # 7349, TL # 1030475, 1(Paro-2014)34; Supervisory: Dechen Dorji, EID # 9607009; Project Manager, PMCP, DoC.*

Status: *Observation not settled.*

1.3. ITEMS PROVIDED OTHER THAN SPECIFIED AND RECOVERABLE THEREOF - NU.0.042 MILLION

The Royal Bhutan Police (RBP), Headquarters (HQ) Thimphu had accepted items other than specified in the Bills of Quantities (BOQ) amounting to Nu.0.066 million with regard to toilet/bathroom fittings and fixture in the construction of family quarters at Samdrup Choling, Samdrup Jongkar, Jigme Ling, and Tashigatshel. The contractor had provided plastic cisterns in the toilets instead of vitreous china cisterns.

In addition, there were neither approval sought from the tender committee for change of items nor had the RBP management carried out rate analysis for the changes. The Handing and Taking Committee had also certified and accepted the works executed without due regard to the specification. As of 31 March 2019, recoveries amounting to Nu.0.024 million was made leaving balance of Nu.0.042 million. *AIN: 15087; Para: 2; Accountabilities: Direct: Ugyen, Executive Engineer, CID # 11506000961/PIN # 3797; Sonam Phuntsho, Junior Engineer, CID # 11505005084/PIN # 5979; Samphel Dendup, Asst. Engineer, CID # 12006000844/PIN # 6149; Supervisory: Sonam Wangdi, Chief Engineer, CID # 11506001122/PIN # 2004.*

Status: *Observation not settled.*

1.4. DELAY IN CONSTRUCTION OF ACADEMIC BLOCK OF ROYAL BHUTAN POLICE TRAINING INSTITUTE (RBPTI), JIGMELING

The construction of Academic Block at Royal Bhutan Police Training Institute (RBPTI), Jigmeling was found incomplete with poor progress of work at site. The work undertaken by M/s Druk Tsentop Construction Private Limited was scheduled to complete by 21 July 2016, but was granted time extension till 21 February 2017. However, at the time of audit in December 2017, the construction work was found delayed by 10 months with work progress of only 84% as reported by the Project Engineer.

The contractor had also signed an undertaking letter on 17 March 2017 to complete construction of Academic Block by 15 June 2017, but had failed to do so. In addition, the Performance Bank Guarantee of Nu.3.492 million submitted by the contractor was found expired on 31 December 2015 and was not renewed at the time of audit in December 2017. *AIN: 15087; Para: 4.1; Accountabilities: Direct: Sonam Phuntsho, Junior Engineer, CID # 11505005084/PIN # 5979; Supervisory: Sonam Wangdi, Chief Engineer, CID # 11506001122/PIN # 2004.*

Status: *Observation not settled.*

1.5. DELAY IN CONSTRUCTION OF TEMPORARY FAMILY QUARTERS AT RINCENDING CHECK POST, PHUENTSHOLING

The RBP HQ, Thimphu had taken up the construction of temporary family quarters at Rinchending, Phuentsholing which was found incomplete with poor progress of work at site. The work undertaken by M/s T Denka Construction was scheduled to complete by 30 June 2017. However, the construction work was delayed by seven months and the Performance Bank Guarantee of Nu.0.269 million submitted by the contractor was found expired on 26 June 2017. There was no work progress and was found discontinued and the Performance Bank Guarantee was not renewed at the time of audit in December 2017. *AIN: 15087; Para: 4.2; Accountabilities: Direct: Deki, Executive Engineer, CID # 11503003820/PIN # 5029; Supervisory: Sonam Wangdi, Chief Engineer, CID # 11506001122/PIN # 2004.*

Status: *Observation not settled.*

1.6. EXPIRED BANK GUARANTEE (10% PERFORMANCE SECURITY)

The Prison Service Division (PSD), Chamgang, Thimphu had not obtained renewed Bank Guarantee from M/s KC Construction Private Limited, Thimphu for construction of Prison Block at Lungzor, Trashigang. The 10% Performance Security amounting to Nu.4.329 million was obtained as Bank Guarantee on 18 November 2015 from the contractor and it had expired on 16 November 2016 which was not renewed even at the time of audit in March 2018. *AIN: 15218; Para: 1.1; Accountabilities: Direct: Sanga Rigyel, Dy. Executive Engineer, EID # 4646, CID #1117000670; Supervisory: Sonam Wangdi, Chief Engineer, EID # 2004, CID #11506001122.*

Status: *Observation not settled.*

1.7. NO RELEVANT DOCUMENTS FOR ADDITIONAL WORKS EXECUTED

The PSD, Chamgang had granted unjustified time extension of three months to M/s KC Construction Private Limited for construction of Prison Block at Lungzor, Trashigang after the contract ended on 30 November 2017. The additional time till 28 February 2018 was granted upon the instruction of the Senior Superintendent of Police (SSP), Superintendent of Police (SP), Planning and the Chief Engineer during their site visit for execution of extra works in the construction of kitchen. Relevant documents for the execution of additional works were not on record. Further, the construction of kitchen was executed without drawings and design, and hence the changes to site conditions could not be ascertained. *AIN: 15218; Para: 1.2; Accountabilities: Direct: Sanga Rigyel, Dy. Executive Engineer, EID # 4646, CID # 1117000670; Supervisory: Sonam Wangdi, Chief Engineer, EID # 2004, CID # 10504001907.*

Status: *Observation not settled.*

1.8. NON-COMPLETION OF THE WORK ON TIME AND LIQUIDATED DAMAGES LEVIABLE

The PSD, Chamgang, Thimphu had granted three months' time extension till 28 February 2018 to the contractor for completion of works in the construction of Prison Block at Lungzor, Trashigang specifically for changes to the kitchen size and shifting of walls. However, the works were found incomplete and still under progress during site visit of audit team on 27 February 2018.

As per the terms and conditions of contract, the PSD should levy liquidated damages to the contractor at the rate of 0.05% per day, but not exceeding 10% of the final contract Price, for actual delay in completion of work beyond 28 February 2018. *AIN: 15218; Para: 1.3; Accountabilities: Direct: Sanga Rigyel, Dy. Executive Engineer, EID # 4646, CID # 1117000670; Supervisory: Sonam Wangdi, Chief Engineer, EID # 2004, CID #10504001907.*

Status: *Observation not settled.*

1.9. NON-IMPLEMENTATION OF PROVISION OF THE PRISON ACT OF BHUTAN 2009

The PSD, Chamgang had provided prisoners with food, clothing, beddings, toiletry and sanitary items as per Chapter 6 'Ration and clothing' of the Prison Act of Bhutan, 2009. However, the stipulations under the chapter were to be implemented based on an endorsed/approved Rules and Regulations under the Act, which was not in place. The management reported that a draft Prison Rules and Regulation 2015 was developed but was not yet complete due to some technicalities. *AIN: 15218; Para: 2; Accountabilities: Direct: Lt. Col. Lobzang Dorji, EID # 132, CID #11514003209; Lt. Col. Tshering Drukpa, EID # 106, CID #10202000684; Col. Phub Gyaltshen, EID # 87, CID #11908001577; Supervisory: Lt. Col. Lobzang Dorji, EID # 132, CID #11514003209; Lt. Col. Tshering Drukpa, EID # 106, CID #10202000684; Col. Phub Gyaltshen, EID # 87, CID #11908001577.*

Status: *Observation not settled.*

2. Shortfalls, Lapses and Deficiencies – Nu.0.075 million

The case of shortfalls, lapses and deficiencies involving Nu.0.075 million is as indicated below:

2.1. EXCESS PAYMENTS IN EARTH WORKS AND FILLING, PLINTH PROTECTION AND ELECTRICAL WORKS AMOUNTING TO NU.0.075 MILLION

The RBP HQ, Thimphu had made excess payments of Nu.0.495 million in the construction of Academic Block of RBPTI in Jigmeling. The contractor was paid Nu.0.402 million in foundation excavation and filling works due to 'box cutting' excavation instead of excavation of foundation trenches or drains as specified in Bills of Quantities (BoQ) which required excess excavation and back filling with resultant excess payments. In addition, the Site Engineer had also made over payment of Nu.0.017 million for brick masonry manhole and Nu.0.075 million for electrical works. As of 31 March 2019, recoveries amounting to Nu.0.420 million was made leaving balance of Nu.0.075 million unresolved. *AIN: 15087; Para: 1; Accountabilities: Direct: Ugyen, Executive Engineer, CID # 11506000961/PIN # 3797; Sonam Phuntsho, Junior Engineer, CID # 11505005084/PIN # 5979; Samphel Dendup, Asst. Engineer, CID # 12006000844/PIN # 6149; Supervisory: Sonam Wangdi, Chief Engineer, CID # 11506001122/PIN # 2004.*

Status: *Observation not settled.*

1.3.1.7 MINISTRY OF INFORMATION AND COMMUNICATIONS

During the year, the RAA conducted nine audits of Ministry of Information and Communications. There were 23 observations amounting to Nu.54.724 million of which 12 observations amounting to Nu.0.957 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.53.767 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Ministry and its departments, divisions and units, observations amounting to Nu.0.678 million was resolved. The total unresolved significant irregularities reflected in the AAR 2017 amounted to Nu.53.089 million as summarised below.

Out of the total unresolved irregularities of Nu.53.089 million reported to the Parliament in June 2019, Nu.45.517 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Ministry and

its departments, divisions and units. The unresolved significant irregularities amounting to Nu.7.572 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	7.259	-	7.259	-
2	Mismanagement	45.632	45.517	0.115	99.75
3	Non-Compliance to Laws and Rules	-	-	-	50
4	Shortfalls, Lapses and Deficiencies	0.198	-	0.198	-
	Total	53.089	45.517	7.572	85.74

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled balances as on 30 Sept. 2020 are as discussed below:

1. Fraud, Corruption and Embezzlement - Nu.7.259 million

There were cases with elements of fraud, corruption and embezzlement involving Nu.7.259 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Temporary misuse of revenue through teeming and lading	4.378	-	4.378
1.2	Shortages in revenue deposit aggregating to Nu.2.505 million and late deposits attract fine	2.881	-	2.881
1.3	Factors contributing to misuse of revenue	-	-	-
	Total	7.259	-	7.259

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

1.1. TEMPORARY MISUSE OF REVENUE THROUGH TEEMING AND LADING - NU.4.378 MILLION

There was misuse of revenue amounting to Nu.4.378 million in the Regional Office, Road Safety and Transport Authority (RSTA) Gelephu. There were instances of abnormal cancellations of deposit challans which was indicative of temporary misuse of revenue. The dealing officials were found to have resorted to teeming and lading for misuse of revenue on temporary basis by depositing the subsequent collections to cover up earlier less deposited amounts. There were also attempts to delay the revenue deposit through cancellation of deposit challans as well as short deposits with resultant siphoning of the government revenue. *AIN: 15658; Para: 1.2; Accountabilities: Direct: Tshering Choden, Adm. Asst. EID No. 201002034; Supervisory: Sonam Chophel, Chief RTO, EID 200210018; Kinga Gyeltshen, Road Transport Officer, EID 20050503.*

Status: *Observation not settled. ATR reminder send on 7/9/2020.*

1.2. SHORTAGES IN REVENUE DEPOSIT AND LATE DEPOSITS ATTRACT FINE - NU.2.881 MILLION

The Regional Office, RSTA Gelephu had shortages in revenue deposits amounting to Nu.2.505 million for two financial years 2016-17 and 2017-18. In addition, the amounts collected were found retained

by the dealing person for periods ranging from two days to 56 days per instance.

The time lag in the collections and subsequent deposits were indicative of misuse of revenue. As per the provisions of the Revenue Accounting Manual (RAM) 2004 late fine @ 24% per annum is liable on the late deposits amounting to Nu.0.376 million (Nu.0.076 million for 2016-17 and Nu.0.300 million for 2017-18).

The lapses had occurred due to non-conduct of periodic reconciliation of the collections and deposits of revenue and non-deposit of collections on the next working day as required by the RAM by the dealing officials, which were indicative of inadequate supervision and monitoring by the supervising officials. *AIN: 15658; Para: 1.1; Accountabilities: Direct: Tshering Choden, Adm. Asst. EID No. 201002034; Supervisory: Sonam Chopel, Chief RTO, EID 200210018; Kinga Gyeltshen, Road Transport Officer, EID 20050503.*

Status: *Observation not settled. ATR reminder send on 7/9/2020.*

1.3. FACTORS CONTRIBUTING TO MISUSE OF REVENUE

The Regional Office, RSTA Gelephu had numerous internal and external factors that contributed to misuse of the revenue. While the dealing officials are directly responsible for the short deposits, there were poor internal controls and inadequate supervision & monitoring. Duties in management of revenue collections and deposits were not segregated properly and were not handled by trained accounts personnel. The past and present management had assigned the job of collecting and depositing revenue to an Administrative Assistant with full access to system and the person was found handling revenue since August 2012. In addition, there were no periodic bank reconciliations carried out or any indication of the supervision and monitoring carried out by supervising officer.

Further, the e-RaLIS system data was not linked with the RAMIS system which impeded the process of reporting and monitoring on revenue collections and deposits. The Revenue Audit Report issued by RRCO, Gelephu only highlighted instances of late and irregular deposits. Late penalty was calculated only for some selected late deposits and not on all late deposits. The RSTA and RRCO had failed to take necessary actions despite noting irregular cancellation of deposit challans and money receipts followed by late deposits. *AIN: 15658; Para: 1.3; Accountabilities: Direct: Tshering Choden, Adm. Asst. EID No. 201002034; Supervisory: Sonam Chopel, Chief RTO, EID 200210018; Kinga Gyeltshen, Road Transport Officer, EID 20050503.*

Status: *Observation not settled. ATR reminder send on 7/9/2020.*

2. Mismanagement – Nu.0.115 million

There were cases of mismanagement involving Nu.45.632 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Gap in the potential revenue collections vis-a-vis actual collections	34.315	34.315	-
2.2	Outstanding motor vehicle taxes	11.202	11.202	-
2.3	Pending realization of rents for RTO space leased out to private parties	0.032	-	0.032
2.4	Non-realization of fines after issuance of Traffic Infringement Notice (TIN)	0.083	-	0.083
Total		45.632	45.517	0.115

The cases of mismanagement are as indicated below:

2.1. GAP IN THE POTENTIAL REVENUE COLLECTIONS VIS-A-VIS ACTUAL COLLECTIONS - NU.34.315 MILLION

The Regional Office, RSTA Gelephu had significant difference in the potential and actual revenue collections. Based on the data for new vehicle registrations and vehicle renewals from the RSTA Head Office in Thimphu, it revealed that collections could have been significantly higher. For 2016-2017 the total revenue potential was Nu.37.842 million but the actual collections were only Nu.21.831 million and for 2017-2018 the revenue potential was Nu.41.632 million but the actual collections were only Nu.23.328 million. As a result, the RSTA had lost Nu.16.011 million and Nu.18.304 million in revenue for the financial years 2016-2017 and 2017-2018 respectively.

The analysis is indicative of significant revenue escaping the revenue net as a result of pilferage either due to fraud or non-payment of the vehicle taxes as required under the RSTA Act 1999. Although there was 6.9% increase in the import of vehicles during the financial year 2016-2017 from 2015-2016, there were no corresponding increase in revenue collections. The figures are exclusive of fines and penalties that were collected separately. *AIN: 15658; Para: 2; Accountabilities: Direct: Sonam Chopel, Chief RTO, EID No. 200210018; Supervisory: Sonam Chopel, Chief RTO, EID No. 200210018*

Status: *The observation was settled vide letter No.RSTA/III/As-14/2017-2018/120 of 26/8/2019.*

2.2. OUTSTANDING MOTOR VEHICLE TAXES - NU.11.202 MILLION

The Regional Transport Office (RTO), RSTA, Phuentsholing had not followed up on overdue outstanding taxes amounting to Nu.11.202 million due to non-renewal of 2,938 motor vehicles including vehicles registered with the government, private individuals and taxis. Some motor vehicles taxes were due since 2015 and had not been realised even at the time of audit in December 2017.

Further, it was found that motor vehicles which had not renewed registrations and had outstanding taxes pertaining to 2014 or earlier were automatically de-registered as per Para 9², Chapter 1 of the Road Safety and Transport Regulations 1999. Also, taxes had not been worked out for these vehicles. *AIN: 15064; Para: 2; Accountabilities: Direct: Karchung, Chief Transport Officer, EID: # 2001073; Supervisory: Karchung, Chief Transport Officer, EID: # 2001073*

² "A vehicle which has not renewed the documents for two consecutive years shall be automatically de-registered."

Status: *The observation was settled as an amount Nu.1.557 million being adjusted vide letter No.RAA/OAAG-Pling/FUS/PCAL-C39/2019/125 dated 14.3.2019 since the management has recovered and deposited in their accounts and the balance carry forward to the subsequent audit report AIN No. 15793, Ob. 1.*

2.3. PENDING REALIZATION OF LEASE RENTS FOR RTO SPACE LEASED OUT TO PRIVATE PARTIES - NU.0.031 MILLION

The RTO, RSTA, Phuentsholing had not realised lease rents amounting to Nu.0.954 million including penalties for delays from the Lessee occupying two units/space i.e. Meto Transport Office and Meto Luggage room in the RTO Building. The rents were due since 1 February, 2015 till the time of audit in December 2017. As per the lease agreement Clause 1, the lessees should deposit the monthly rent before 7th day of every month and failure to deposit the rent would attract penalty of 24% as late fee for every month.

The RSTA had also failed to remind the lessee of non-deposit/payment of rent until the matter was raised by the RAA during audit. Further, failing to adhere to the provisions of the lease agreement

and non-enforcement of the provisions were indicative of the lack of regular monitoring and supervision, and diligence on the part of the official responsible. As of March, recoveries amounting to Nu.0.923 million was made leaving balance of Nu.0.031 million. *AIN: 15064; Para: 1; Accountabilities: Direct: Karchung, Chief Transport Officer, EID: # 2001073; Supervisory: Karchung, Chief Transport Officer, EID: # 2001073*

Status: *Observation not settled.*

2.4. NON-REALIZATION OF FINES AFTER ISSUANCE OF TIN - NU.0.083 MILLION

The Base Offices in Tshimasham, Gedu and Samtse under the Regional Transport Office, RSTA, Phuentsholing had not collected fines and penalties amounting to Nu.0.083 million from offenders after the issuance of TIN. The seized documents such as driving license and registration certificate of the defaulters were also not available with the traffic police at the time of audit in December 2017. The responsible authorities had failed to exercise due diligence in imposing penalty on offenders for violating traffic rules and regulations. *AIN: 15064; Para: 4; Accountabilities: Direct: Sangay Tenzin, Pelzap, CID # 11505004290; Supervisory: Namgay Wangchuk, Officer Commanding, Traffic Division, 11009000970.*

Status: *Observation not settled.*

3. Non-compliance to Laws and Rules

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

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1	Officials availed training without obtaining audit clearance	-	-	Settled
3.2	Poor work progress noted in the construction of terminal building at Bumthang Domestic Airport	-	-	Unsettled
Total		-	-	-

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

3.1. OFFICIALS AVAILED TRAINING WITHOUT OBTAINING AUDIT CLEARANCE

The Ministry of Information and Communications had not obtained Audit Clearance Certificates as required by the BCSR for officials availing ex-country trainings. The officials had not submitted valid Audit Clearance Certificates to HR Section indicating laxity and negligence of Human Resources officials/section and approving authorities in discharging responsibilities diligently as well as weak internal controls. *AIN: 15404; Para: 2; Accountabilities: Direct: Sonam Phuntsho, Chief ICT Officer, EID # 200601082; Phub Gyeltshen, Dy. Chief Planning Officer, EID # 200401074; Kesang Choden, Sr. Telephone Operator-II, EID # 200804007; Supervisory: Singye Norbu, Assistant HR Officer, EID: # 20140103323; Sonam Rabten, Assistant HR Officer, EID: # 200905011.*

Status: *The observation was settled as the MoIC had deliberated the issue in its 412th HR Committee on 6th May 2019 and instituted a system based on the requirements of BCSR 2018 as intimated vide letter No.MoIC/HRD-Misc/03/2019/2283 dated 16/05/2019.*

3.2. POOR WORK PROGRESS NOTED IN THE CONSTRUCTION OF TERMINAL BUILDING AT BUMTHANG DOMESTIC AIRPORT

The Department of Air Transport (DoAT), Paro implemented ADB funded 'Air Transport Connectivity

Enhancement Project had poor work progress in the construction of terminal building at Bumthang Domestic Airport. The contractor, M/s Rinson Construction Company Pvt. Ltd. was paid Nu.27.477 million out of the tendered amount of Nu.158.636 million till August 2018 representing 17.32% of the contract value for 19.52% of works completed against the expected work physical completion of 36.81% with apparent delays at the time of audit in September 2018. The contract work was scheduled to complete by 4 August 2019 and the possibilities of completing the remaining works in the remaining ten months of contract duration without compromising the quality of work seemed highly doubtful. The causes for delay in work progress were not on record. *AIN: 15603; Para: 2; Accountabilities: Direct: Kailash Chettri, Supervising Engineer, CID # 110204000023; Supervisory: Jamyang T Dorji, Project Engineer EID # 201101166.*

Status: *Observation not settled.*

4. Shortfalls, Lapses and Deficiencies – Nu.0.198 million

The case of shortfalls, lapses and deficiencies involving Nu.0.198 million is as indicated below:

4.1. OVERPAYMENT DUE TO NON-OBSERVANCE OF AMOUNT PAYABLE MENTIONED IN THE COURT VERDICT - NU.0.198 MILLION

The Department of Air Transport (DoAT), Paro had made overpayment of Nu.0.198 million to M/s T. Kuenzom Construction Pvt. Ltd. for the construction of Gelephu Domestic Airport. The contractor was found paid Nu.271.557 million instead of Nu.271.359 million as determined in the high court's verdict with resultant overpayment. *AIN: 15241; Para: 1; Accountabilities: Direct: Gyem Dorji, Dy. Chief Engineer, EID # 200702026; Supervisory: Karma Wangchuk, Director, EID: # 9004059.*

Status: *Observation not settled.*

1.3.1.8 MINISTRY OF LABOUR & HUMAN RESOURCES

During the year, the RAA conducted eight audits of Ministry of Labour & Human Resources, its departments, divisions and units. There were six observations amounting to Nu.1.233 million of which two observations amounting to Nu.0.405 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.828 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.828 million as summarised below.

Out of the total unresolved irregularities of Nu.0.828 million reported to the Parliament in June 2019, all the amounts had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Ministry and its departments, divisions and units. However, one irregularity without monetary quantification remained unresolved as on 30 Sept. 2020 as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-Compliance to Laws and Rules	0.432	0.432	-	100
2	Shortfalls, Lapses and Deficiencies	0.396	0.396	-	100
	Total	0.828	0.828	-	

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled one as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules involving Nu.0.432 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Acceptance of substandard marble chips flooring work	0.432	0.432	-
1.2	Unauthorized retention and use of sale proceeds and tourist entry fees without the approval of Ministry of Finance	-	-	Unsettled
Total		0.432	0.432	-

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

1.1. ACCEPTANCE OF SUBSTANDARD MARBLE CHIPS FLOORING WORK - NU.0.432 MILLION

The Technical Training Institute (TTI), Thimphu had accepted substandard flooring works valuing Nu.0.432 million in the renovation of Workshop/Classrooms of the TTI. The surface of the floor was not properly troweled over, pressed uniformly and the grinding/polishing works to achieve smooth finishing. The marble chips were found worn out within just after 15 months from the date of work completion indicating execution of substandard work. The TTI had not directed the contractor to redo the works. The lapses also indicated failure on the part of the site engineer and supervision engineer to exercise proper supervision and monitoring during execution of the work.

In addition, the Tender Committee had not exercised due diligence as provisioned in the PRR 2009. Despite the recommendation of the Tender Evaluation Committee to award the work to the Third lowest bidder.

The work was found awarded to the bidder whose bid was abnormally low at 47% below the departmental estimate. *AIN: 15628; Para: 1.3; Accountabilities: Direct: Yeshey Choden, Dy. CPO, EID. 9807063, S.Tenzin Construction, CDB No. 4802, L/No. 6007429; Supervisory: Choki Wangmo, Jr. Engineer, EID. 200807226.*

Status: *The observation was settled vide follow-up letter No. RAA /FUCD/C-4)TTI/MoLHR/2020/321 dated 7/2/2020.*

1.2. UNAUTHORIZED RETENTION AND USE OF SALE PROCEEDS AND TOURIST ENTRY FEES WITHOUT THE APPROVAL OF MINISTRY OF FINANCE

The Institute for Zorig Chusum, Trashiyangtse had retained and used revenue generated by the Institute without the approval of the Ministry of Finance as required under FRR 2001/2016. An Institute Development Welfare Fund (IDWF) Account was found maintained as a Savings Bank Account with Bank of Bhutan Limited (BOBL), Trashiyangtse. The IDWF was being used as per the guidelines approved by the Secretary, Ministry of Labor and Human Resources (MoLHR).

The collections from sale proceeds of finished products from trainings, collection of entry fee from tourists, 10% commission from deposit works and other administrative fees, were by nature a type of Non-Tax Revenue "Revenue from Government Departments" and thus, should have been deposited

into the Royal Government Revenue Account.

The Institute and its parent agency, the MoLHR had also failed to consult with the Ministry of Finance on the modalities and operation of such an account, as well as failed to obtain approval/concurrence for the same. The Institute's IDWF account had accumulated fund balance of Nu.2.062 million as of 31 March 2018. *AIN: 15251; Para: 1; Accountabilities: Direct: Kinley Penjor, Principal, EID # 2101083; Supervisory: Norbu Wangchuk, Director, EID # 9811003.*

Status: *Observation not settled.*

2. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies involving Nu.0.396 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Sanction of secured advance without adhering to the provisions of PRR	0.300	0.300	-
2.2	Item provided other than specified in BOQ	0.096	0.096	-
Total		0.396	0.396	

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

2.1. SANCTION OF SECURED ADVANCE WITHOUT ADHERING TO THE PROVISIONS OF PRR 2009 - NU.0.300 MILLION

The Technical Training Institute (TTI), Thimphu had sanctioned Secured Advance of Nu.0.300 million without adhering to the provisions of PRR 2009 in the renovation of Workshop/Classrooms of the TTI. The sanctioning of the Secured advance to the contractor for procurement of construction materials without having delivered the materials at work site was irregular and indicated extension of undue financial favour to the contractor. *AIN: 15628; Para: 1.1; Accountabilities: Direct: Yeshey Choden, Dy. CPO, EID. 9807063; Supervisory: Choki Wangmo, Jr. Engineer, EID. 200807226.*

Status: *The observation was settled vide follow-up letter No. RAA /FUCD/C-4)TTI/MoLHR/2020/321 dated 7/2/2020.*

2.2. ITEM PROVIDED OTHER THAN SPECIFIED IN BOQ - NU.0.096 MILLION

The TTI, Thimphu had accepted items other than specified in the renovation of Workshop/Classrooms of the TTI. As per the drawing and specifications, the ceiling works were specified as Gypsum plasterboard but was found constructed with commercial ply lining.

In addition, there was neither approval from Tender Committee for changes made to ceiling materials nor did the TTI carry out proper rate analysis for the changes. The lapses indicated laxity on the part of the site engineer and supervising engineer. *AIN: 15628; Para: 1.2; Accountabilities: Direct: Yeshey Choden, Dy. CPO, EID No. 9807063; Supervisory: Choki Wangmo, Jr. Engineer, EID No. 200807226; S.Tenzin Construction, CDB No. 4802, L/No. 6007429.*

Status: *The observation was settled vide follow-up letter No. RAA /FUCD/C-4)TTI/MoLHR/2020/321 dated 7/2/2020.*

1.3.1.9 MINISTRY OF WORKS AND HUMAN SETTLEMENTS

During the year, the RAA conducted 13 audits of Ministry of Works and Human Settlements, its departments, divisions and units. There were 92 observations amounting to Nu.199.356 million of which 45 observations amounting to Nu.71.776 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.127.580 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Ministry and its departments, divisions and units, observations amounting to Nu.75.044 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.52.536 million as summarised below.

Out of the total unresolved irregularities of Nu.52.536 million reported to the Parliament in June 2019, Nu.31.859 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Ministry and its departments, divisions and units. The unresolved significant irregularities amounting to Nu.20.677 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	11.777	-	11.777	-
2	Non-Compliance to Laws and Rules	23.895	23.895	-	100
3	Shortfalls, Lapses and Deficiencies	16.864	7.964	8.900	47.22
	Total	52.536	31.859	20.677	60.64

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled one as on 30 Sept. 2020 is as discussed below:

1. Fraud, Corruption and Embezzlement - Nu.11.777 million

There was a case with elements of fraud, corruption and embezzlement involving Nu.11.777 million as indicated below:

1.1. SUSPECTED COLLUSION AMONG THE CONTRACTORS CAUSING FINANCIAL LOSS TO GOVERNMENT - NU.11.777 MILLION

The Regional Office (RO), Department of Roads (DoR), Lingmithang, Monggar had awarded the contract for Base Course & Black Topping works on Jarey GC Road to M/s Diamond Construction Pvt. Ltd., Thimphu at the tendered amount of Nu.47.733 million with contract period from 13 November, 2015 to 12 July, 2017.

The review of tender documents revealed that the bid prices in all of the four bids submitted were altered. The changes in bid prices of items of work allowed the initially highest bidder M/s Diamond Construction Pvt. Ltd., Thimphu to become the lowest and hence, eligible for the award of the contract which indicated possible collusion amongst the bidders and unethical behavior in the tendering process.

The four prospective bidders with their initial and final bids submitted are given in the table:

Sl. No.	Bidders	Bid Price (Nu. in Million)			% variation
		Initial	Corrected	Difference	
1	M/s Chimi RD Construction Pvt. Ltd.	35.96	61.228	25.27	70.28
2	M/s Phuntsho Rabten Construction	43.92	77.342	33.419	76.09
3	M/s Diamond Construction Pvt. Ltd.	47.74	47.733	-0.002	-0.004
4	M/s Sonam Jamtsho & Bros Construction	36.86	50.792	13.934	37.80

The changes to bid prices were noted as corrected arithmetical errors in the bid evaluation report and in comparison to the department's estimates, the changed bid prices had huge variations ranging from 4.2% below the estimate to 55% above the estimated amount.

The management had failed to enforce provisions of the PRR 2009³ and reject the bids but had evaluated and awarded the work to M/s Diamond Construction Pvt. Ltd., Thimphu, which had resulted in the possible extravagant payment of Nu.11.777 million (difference between the awarded bid of Nu.47.733 million minus the lowest bid Nu.35.958 million). The case has been forwarded to Anti Corruption Commission for further investigation. *AIN: 15076; Para: 3; Accountabilities: Direct: Lungten Jamtsho CE, EID # 2101064; Wangdi, EE, EID # 9907161; Sonam Lhendup, Adm., CID # 11604000074; Nado, Accounts Assistant, EID # 9709042; Jambay Tenzin, EE, EID # 200207045; Ugyen Dorji, PE, EID # 9108139; Sonam Tobgay, Engineer, EID # 200207048; Sangay Wangmo, JE, EID # 20140704519; Supervisory: Lungten Jamtsho, Chief Engineer, EID # 2101064.*

Status: *Observation not settled. The case is under investigation by the ACC.*

³ Clause No.5.4.6.1 (c), "Without incurring any liability towards the contenders, the Procuring Agency may reject bids, if any or some of the bids appearing to have been tampered with". And further, clause No. 5.4.7.1, "Following the rejection of all bids, the Procuring Agency may, after taking measures to remove the causes of failure of the earlier bidding, proceed with a fresh bidding following the same bidding method or following an alternate method prescribed under 4.2 Procurement Methods under Chapter IV"

2. Non-compliance to Laws and Rules

There were cases of non compliance to laws and rules involving Nu.23.895 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Flaws in design of intake weir leading to failure of structures in providing the intended performance	13.434	13.434	-
2.2	Overstatement of recoveries due to application of wrong rates in the estimate	5.406	5.406	-
2.3	Damage of newly constructed road & drainage due to poor coordination resulted into wasteful expenditure	3.251	3.251	-
2.4	Non recovery of balance advances	1.762	1.762	-
2.5	Non reconstruction of damaged Dry Rubble Masonry Wall caused by flashflood	0.042	0.042	-
2.6	Constructed WWT Plant not meeting the quantity of effluent discharge of 0.60 MLD as required in designed, built & operate plant	-	-	Unsettled
2.7	Acceptance of substandard and defective works	-	-	Settled

2.8	Construction of Fish ladder not in accordance with design and drawing	-	-	Settled
2.9	Construction of office, centrifuge and chlorination building not as per the technical specifications and execution of substandard works thereof	-	-	Settled
2.10	Granting of time extension without proper calculation of allowable days through application of LMC method	-	-	Settled
2.11	Non engagement of Project manager as committed and frequent changes of key personnel at later dates not backed by the approved documents	-	-	Settled
2.12	Execution of poor quality of blacktopping works along Poedze Lam	-	-	Unsettled
2.13	Poor blacktopping works	-	-	Unsettled
2.14	Damaged RRM wall and footpath by the Private individuals remained unattended by the project officials	-	-	Settled
2.15	Non Insurance of works	-	-	Settled
Total		23.895	23.895	

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

2.1. FLAWS IN DESIGN OF INTAKE WEIR LEADING TO FAILURE OF STRUCTURES IN PROVIDING THE INTENDED PERFORMANCE - NU.13.434 MILLION

The ADB funded 'Urban Infrastructure Project (UIP)' implemented by the Department of Engineering Services (DES) had accepted flawed designs for the intake weir/dam due to which the structures failed to provide the intended performance in the construction of Water Treatment Plant and Water Supply Works under Samdrup Jongkhar Thromde. The six-meter high Impounding Weir wall designed to prevent flooding and measure water discharge was found overflowing. The inlet Pipes and Sluice gate was also found blocked by debris causing the water level to rise and overflow.

The consultant, M/s STUP Consultancy Pvt. Ltd., India had considered only normal monthly rainfall record of Samdrup Jongkhar from 1996 to 2012 while designing the impounding weir wall and had not considered data on flash floods that usually occur during monsoon seasons due to which the six-meter high walls were unable to serve the intended purpose. In addition, the sluice gates to control the level of water were not designed to be operated remotely. Each gate required to be opened manually, which was not possible during flooding as the turbulence of the water did not allow operators to reach the sluice gates. *AIN: 15618; Para: 1.1; Accountabilities: Direct: Pema Chokey, Project Manager, EID # 9307033; Mani Kumar Rizal, Project Engineer, EID # 2107158; M/s Tacho Construction Pvt. Ltd., CDB License # 2001; Supervisory: Jigme Dorji, Project Manager, EID # 8707048.*

Status: *The observation was settled vide letter No.PMU/UIP/F-13/2019-2020/275 dated 13/4/2020 as action was taken to address the design flaws of intake structures by the Project Management.*

2.2. OVERSTATEMENT OF RECOVERIES DUE TO APPLICATION OF WRONG RATES IN THE ESTIMATE - NU.5.406 MILLION

The Regional Office, DOR, Thimphu had overstated the expenditure for rock cutting in soil excavation works by Nu.5.406 million in the construction of Bjakamja-Yuetsa GC road. The rates provided in the estimates and in the PART III revealed wrong application of rock cutting rates for excavation in all kinds of soil, instead of the correct rates as per BSR 2015 which were much lower. The wrong application of rates by the Site Engineer had resulted in overstatement of expenditure for excavation which did not justify the payment made for the machineries deployed for the work. The lapses are

indicative of laxity and carelessness of the responsible official. *AIN: 15050; Para: 9.2; Accountabilities: Direct: Tenzin Wangdi, JE, EID # 20130101894; Supervisory: Kuenga, EE, EID # 200307022.*

Status: *The observation was settled based on the follow-up conducted by the audit team during the audit of the financial year 2017 to 2018.*

2.3. DAMAGE OF NEWLY CONSTRUCTED ROAD & DRAINAGE DUE TO POOR COORDINATION RESULTED INTO WASTEFUL EXPENDITURE - NU.3.251 MILLION

The DES and Thimphu Thromde had not prevented damages to newly constructed road and drainage in the Lanjophaka Local Area Plan (LAP) while laying sewerage lines in the jointly implemented World Bank funded Project “*Bhutan Urban Development Project – Phase II*”.

The road and drainage were constructed by M/s Bhutan Engineering Company Private Limited during the financial year 2015-2016 through the ‘*Bhutan Urban Development and Housing Project Phase-II (BUDH-II)*’. The trenching works for laying sewerage lines were carried out by the Infra Division under the Thimphu Thromde under the GOI funded Small Development Project (SDP) Grant.

The lapses are indicative of improper planning and coordination within the Thimphu Thromde with resultant wasteful expenditure amounting to Nu.3.252 million. *AIN: 15034; Para: 7; Accountabilities: Direct: Samten Lhendup, Sewerage Head, Thimphu Thromde, EID # 200901232; Supervisory: Karma Jamtsho, Chief Engineer, Thimphu Thromde, EID # 200301032.*

Status: *The observation was settled based on the justification and supporting documents submitted vide letter No.TT/PIU(BUDP-2)/AF/WB-25/2019-20/433 dated 10/3/2020.*

2.4. NON-RECOVERY OF BALANCE ADVANCES - NU.1.762 MILLION

The ADB funded *UIP* implemented by the DES had not fully recovered mobilization advances of Nu.8.956 million reflecting 10% of the contract amount from M/s Tundi and Tacho Joint Venture as per the General Conditions of Contract⁴ (GCC) in the construction of the Water Treatment Plant and Water Supply Works for Samdrup Jongkhar Thromde.

The total deductions should have been recovered by 1 April 2017. However, a balance of Nu.1.762 million remained unrecovered/unadjusted despite lapses of 16 months at the time of audit in August 2018. The lapses are indicative of non-adherence and non-compliance to terms & conditions of the contract provisions. *AIN: 15618; Para: 1.6; Accountabilities: Direct: Mani Kumar Rizal, Project Engineer, EID # 2107158; M/s Tacho Construction Pvt. Ltd., CDB License # 2001; Supervisory: Pema Chokey, Project Manager, EID # 9307033.*

⁴ GCC Clause 58.1 - “The Advance Payments shall be recovered by the Employer in equal monthly installments within (first) two-third of the intended Completion Date”.

Status: *The observation was settled based on the letter No.PMU/UIP/F-13/2018-2019/141 dated 25/04/2019 and PMU/UIP/F-13/2018-2019/156 dated 24/05/2019.*

2.5. NON-RECONSTRUCTION OF DAMAGED DRY RUBBLE MASONRY WALL CAUSED BY FLASHFLOOD - NU.0.042 MILLION

The ADB funded *UIP* implemented by the DES had not re-constructed the dry hand-packed Rubble Masonry Wall valuing Nu.0.042 million damaged by flashflood in the construction of the Water Treatment Plant and Water Supply Works for Samdrup Jongkhar Thromde. *AIN: 15618; Para: 1.8; Accountabilities: Direct: Mani Kumar Rizal, Project Engineer, EID # 2107158; M/s Tacho Construction Pvt. Ltd., CDB License # 2001; Supervisory: Pema Chokey, Project Manager, EID # 9307033.*

Status: *The observation was settled upon the joint physical verification carried out on 17/09/2019. During the physical verification the RAA noted that since new approach road was constructed next to the intake; reconstruction of the washed off DRM wall was felt not necessary so the observation was considered for settlement.*

2.6. CONSTRUCTED WWT PLANT NOT MEETING THE QUANTITY OF EFFLUENT DISCHARGE OF 0.60 MLD AS REQUIRED IN DESIGNED, BUILT & OPERATE PLANT

The DES and Thimphu Thromde had failed to ensure that the effluents sewage and waste water quantities met its designed capacity of 0.60 MLD to be treated at the Waste Water Treatment Plant (WWTP) constructed for Langjophakha Local Area Plan (LAP) under the jointly implemented World Bank funded Project “Bhutan Urban Development Project – Phase II”.

Although, the WWTP was designed and constructed to handle 0.60 MLD of effluents for treatment in the first phase of treatment plant, the quantity of effluents was found to be about 0.35 MLD or less than 60% of the total capacity as per designs indicating that all sources of effluents were not connected to the sewerage systems. The project management cited lack of cooperation from land/property owners in connecting the waste water outlets from households to the sewerage network. Lack of connections to bring effluents to the WWTP defeats the purpose of the treatment plant and also poses serious hazard concerns of pollution and contamination from sewage and waste water to the surroundings and environment. *AIN: 15034; Para: 6; Accountabilities: Direct: Samten Lhendup, Sewerage Head, Thimphu Thromde, EID #200901232; Supervisory: Jigme Dorji, Chief Engineer, Thimphu Thromde, EID # 200201095.*

Status: *Observation not settled.*

2.7. ACCEPTANCE OF SUBSTANDARD AND DEFECTIVE WORKS

The DES had accepted sub-standard and defective works in the construction of Counterfort Retaining Wall and approach road to residential area at the Integrated Check Post at Bumpagang (Phase-I) on the Phuentsholing-Thimphu National Highway. Physical verification of blacktopped approach road to Residential area and Counterfort Walls revealed crocodile cracks between the chainages 40-70 meters, 491-521 meters, and 551-581.4 meters aggregating to 5.91 Sqm of recently blacktopped approach road.

Further, the spacing of the RCC Weep holes in the first, second and third panels of the counterfort retaining walls were not as per specifications in the drawings, which could affect the durability/stability of the RCC Walls. Also, the rebars on two of the RCC panels were found exposed which could reduce its service lifespan.

The lapses are indicative that there was apparent lack of supervision and monitoring during the execution of work at site. *AIN: 15338; Para: 1.2; Accountabilities: Direct: Samten Wangchuk, Project Engineer, EID # 20150105044; Supervisory: Tashi Tobgay, Project Manager, EID # 2007086.*

Status: *The observation was settled based on the letter No.MoWHS/DES/BUM-02/2018-2019/180 dated 20/5/2019 as the defects were rectified.*

2.8. CONSTRUCTION OF FISH LADDER NOT IN ACCORDANCE WITH DESIGN AND DRAWING

The ADB funded UIP implemented by the DES had not constructed the Fish ladder in accordance to design and drawing in the construction of the Water Treatment Plant and Water Supply Works for Samdrup Jongkhar Thromde.

The fish ladder designed by M/s STUP Consultancy Pvt. Ltd. had the base/landing of the fish ladder

connected the natural riverbed to allow proper and easy upward movement of fish. However, the landing of the fish ladder constructed was found placed on Plain Cement Concrete instead of the riverbed and did not have adequate height of water. The lapses are indicative of project officials' failure to monitor the work during execution. *AIN: 15618; Para: 1.5; Accountabilities: Direct: Pema Chokey, Project Manager, EID # 9307033; Mani Kumar Rizal, Project Engineer, EID # 2107158; M/s Tacho Construction Pvt. Ltd., CDB License # 2001; Supervisory: Jigme Dorji, Project Manager, EID # 8707048.*

Status: *The observation was settled upon joint physical verification carried out on 17/09/2019.*

2.9. CONSTRUCTION OF OFFICE, CENTRIFUGE AND CHLORINATION BUILDING NOT AS PER THE TECHNICAL SPECIFICATIONS AND EXECUTION OF SUBSTANDARD WORKS THEREOF

The ADB funded *UIP* implemented by the DES had not executed and constructed the office, centrifuge and chlorination building as per the technical specifications in the construction of the Water Treatment Plant and Water Supply Works for Samdrup Jongkhar Thromde.

- a) The purlins and rafter were designed to be connected with two MS plates (160x200mm) directly above the connections between struts and rafter at various locations, but were found executed with one MS plate (40x40mm) at random locations; and
- b) The trusses were designed to be rested on the RCC props using MS Base plate (275x275x16mm) anchored to the prop. However, the base plates were not provided and the bottom tie of trusses were found directly resting on the RCC props without proper connections.

The designs provided adequate structural integrity, support and strength to the roof structure and frame to withstand high-winds, and also creates a complete vertical load path. However, the absence of required MS base plates to support and anchor the roofing components could result in failure during high-winds. The acceptance of substandard works on purlin and trusses was clear indication of laxity in supervision and monitoring of works at site by the project team. *AIN: 15618; Para: 1.10; Accountabilities: Direct: Mani Kumar Rizal, Project Engineer, EID # 2107158; M/s Tacho Construction Pvt. Ltd., CDB License # 2001; Supervisory: Pema Chokey, Project Manager, EID # 9307033.*

Status: *The observation was settled based on the letter No.TTJV/2019/01/75 dated 18/9/2019 and SJT/ADB-25/2019-2020/30 dated 22/10/2019.*

2.10. GRANTING OF TIME EXTENSION WITHOUT PROPER CALCULATION OF ALLOWABLE DAYS THROUGH APPLICATION OF LMC METHOD

The ADB funded *UIP* implemented by the DES had granted time extensions without proper calculation of allowable days by applying the Labour & Material Co-efficient (LMC) method in the construction of Water Treatment Plant and Water Supply Works for Samdrup Jongkhar Thromde.

The contractors, M/s Tundi Construction Pvt. Ltd., Nepal and M/s Tacho Construction Pvt. Ltd., Bhutan were sanctioned time extensions of seven months from 31 October 2017 (scheduled completion date) till 1 May 2018 with one month to be given at the end of extended time. However, the working days computed for items of RCC works were found computed separately for machines and labour. This method of computation indicated that machines and labourers worked separately on different days which was incorrect. As such, the time extension calculated separately for machine hours was found inadmissible. Re-computation of working days for the first time extension showed that the Project Implementation Unit (PIU) had granted an additional extra month than the actual allowable working days. The revised work completion date should have been 1 April 2018 and not 1 May 2018.

In the second time extension of 6.5 months from 31 May 2018 till 15 November 2018, the re-computation showed allowable extension of 5.5 months till 15 October 2018 and not 15 November

2018 with resultant inadmissible grant of one month. Also, some of the hindrances recorded and accepted were not in line with the provisions of the contract agreement. The deviation to the provisions of contract indicated laxity, which had resulted into time overrun as well as extended undue favour to the contractor in terms of non-applicability of liquidated damages to that extent. *AIN: 15618; Para: 1.11; Accountabilities: Direct: Mani Kumar Rizal, Project Engineer, EID # 2107158; M/s Tacho Construction Pvt. Ltd., CDB License # 2001; Supervisory: Pema Chokey, Project Manager, EID # 9307033.*

Status: *The observation was settled as the project had deducted maximum 10% LD of Nu.9.488 million from 6th RA bill.*

2.11. NON-ENGAGEMENT OF PROJECT MANAGER AS COMMITTED AND FREQUENT CHANGES OF KEY PERSONNEL AT LATER DATES NOT BACKED BY THE APPROVED DOCUMENTS

The ADB funded *UIP* implemented by the DES had not engaged Project manager as committed and there were also frequent changes of key personnel at later dates which were not backed by relevant approved documents in the construction of Water Treatment Plant and Water Supply Works for Samdrup Jongkhar Thromde. In addition, the contract documents did not have provisions covering penalties for failure of contractor to deploy key personnel at site. *AIN: 15618; Para: 1.12; Accountabilities: Direct: Pema Chokey, Project Manager, EID # 9307033; M/s Tacho Construction Pvt. Ltd., CDB License # 2001; Supervisory: Jigme Dorji, Project Manager, EID # 8707048.*

Status: *The observation was settled based on the justification submitted vide letter No.PMU/UIP/F-13/2018-2019/141 dated 25/4/2019.*

2.12 EXECUTION OF POOR QUALITY OF BLACKTOPPING WORKS ALONG POEDZE LAM

The ADB funded '*Thimphu Road Improvement Project (TRIP)*' implemented by DES had accepted substandard quality of works executed in the blacktopping of Poedze Lam in the repair and maintenance of roads and footpath in Thimphu City. The Asphalt Concrete (AC) works along Poedzoe lam had alligator cracks and formation of potholes in numerous places. The lapses were indicative of inadequate monitoring and supervision by the site engineer during the execution. *AIN: 15653; Para: 2; Accountabilities: Direct: Dendup Lhamo, Engineer, EID # 20140103289; M/s Hi-Tech and Chimmi RD JV, CDB No. 4840 & 5455; Supervisory: Karma Jamtsho, Chief Engineer, EID #200301032.*

Status: *Observation not settled.*

1.13 POOR BLACKTOPPING WORKS

The ADB funded *TRIP* implemented by DES had accepted substandard works executed in the AC works carried out in Semtokha LAP. The AC works had developed alligator cracks in many places and potholes on the newly constructed road. The lapses were indicative of poor quality of work executed by the contractor coupled with inadequate monitoring and supervision by the concerned site engineer. *AIN: 15653; Para: 3.3; Accountabilities: Direct: Oma Devi Mahat, Assistant Engineer, EID # 200707070; M/s Hi-Tech and Chimmi RD JV (CDB No. 4840 & 5455); Supervisory: Karma Jamtsho, Chief Engineer, EID # 200301032.*

Status: *Observation not settled.*

2.14 DAMAGED RRM WALL AND FOOTPATH BY THE PRIVATE INDIVIDUALS REMAINED UNATTENDED BY THE PROJECT OFFICIALS

The ADB funded *TRIP* implemented by DES had not rectified two panels of damaged RRM walls valuing Nu.0.248 million and the interlocking paver block and PCC footpaths were found damaged

within the Semtokha LAP. It was noted that private construction activities had caused the damages to government property but the management had not instructed the parties to reconstruct and repair the damages as required. *AIN: 15653; Para: 3.4; Accountabilities: Oma Devi Mahat, Assistant Engineer, EID # 200707070; Supervisory: Karma Jamtsho, Chief Engineer, EID # 200301032.*

Status: *The observation was settled based on the rectification done and justification and supporting documents submitted vide letter No.TT/Infra.Division/2018-2019/783 dated 22/10/2019.*

3.15. NON-INSURANCE OF WORKS

The ADB funded TRIP implemented by DES had failed to obtain insurance coverage for the works under taken in package-1 from the contractors as per the provisions of the General Conditions of Contract. The four contractors together had undertaken works worth Nu.194.936 million. As of 31 March 2019, insurance coverage for two contracts aggregating to Nu.100.405 million was produced and the balance of Nu.94.530 million for two contract works are yet to be insured. *AIN: 15653; Para: 4; Accountabilities: Direct: Kunlay Yangdon, Dy. Executive Engineer, EID No. 201201095; Dendup Lhamo, Engineer, EID No. 20140103289; Oma Devi Mahat, Assistant Engineer, EID No. 200707070; Jangchuk Choden, Executive Engineer, EID No. 200601107; M/s Hi-Tech and Chimmi RD JV, CDB- 4840 & 5455; Supervisory: Karma Jamtsho, Chief Engineer, EID No. 200301032.*

Status: *The observation was settled as the works were insured and the copy of insurance certificate produced to the RAA.*

3. Shortfalls, Lapses and Deficiencies – Nu.8.900 million

There were cases of shortfalls, lapses and deficiencies involving Nu.16.864 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1	Non-Adjustment of PW advances	6.000	-	6.000
3.2	Non-reconciliation of Bank Reconciliation Statements	2.900	-	2.900
3.3	Inadmissible payment for tack coat and scarifying on both WMM and DBM surface	2.289	2.289	
3.4	Unjustified payment for deployment of air compressor	1.177	1.177	-
3.5	Improper certification of contractor's bills resulting in excess recovery from the contractor	1.083	1.083	-
3.6	Overpayment in construction due to wrong quantification of TMT bars, arithmetic errors and inflated dimension of cornice & CGI sheets	1.012	1.012	-
3.7	Inadmissible payment for PCC work due to execution of wrong specification of item of work	1.008	1.008	-
3.8	Constructed Upstream River Protection Wall found not visible	0.838	0.838	-
3.9	Formation cutting works of Gakiling to Rangtse Gewog Center road showed excess recording of volume of work resulting into recoverable amount	0.260	0.260	-
3.10	Overpayment in construction of PCC footpath	0.253	0.253	-
3.11	Inadmissible Payment in construction of gabion wall	0.045	0.045	-

3.12	Deficiencies in maintaining PART III records, details of measurement	-	-	Settled
3.13	Deficiencies in maintaining PART III records	-	-	Settled
3.14	Delay in the implementation as per the work plan	-	-	Settled
Total		16.864	7.964	8.900

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

3.1. NON-ADJUSTMENT OF PW ADVANCES - NU.6.000 MILLION

The Department of Human Settlement (DHS) had overdue outstanding advances amounting to Nu.6.000 million lying unadjusted at the time of audit in March 2018. The advances were found released to the Chief Executive Officer of the National Housing Development Corporation Limited (NHDCL) for capacity development in Research and Development (R&D). The dues were to be settled by 30 June 2017 as per the work plan submitted to the DHS at the time of requesting release of advances. Despite follow-up by the finance personnel, the DHS had not adjusted the advances in a timely manner. The non-settlement of advances is indicative of laxity on the part of NHDCL management in taking up the planned activities. *AIN: 15214; Para: 1; Accountabilities: Direct: Pradeep Katwal, Company Secretary, NHDCL, CID # 11201002596; Supervisory: Thinley Dorji, CEO, NHDCL, CID # 11503003784.*

Status: *Observation not settled.*

3.2. NON-RECONCILIATION OF BANK RECONCILIATION STATEMENTS - NU.2.900 MILLION

The RO, DOR, Tingtibi, Zhemgang had not reconciled Nu.2.900 million shown as release as per the system generated Bank Reconciliation System (BRS) against the actual Bank Statement, which did not reflect the receipt of the same.

The RO had failed to carry out reconciliations of releases and withdrawals as per the Financial Rules and Regulations and had also not checked with the bank to confirm that the amount was received in the RO's Letter of Credit (LC) Account maintained with the Bank of Bhutan. *AIN: 15045; Para: 4; Accountabilities: Direct: Tenzin Wangchuk, EID # 9404031; Supervisory: Karma Dorji, Chief Engineer, EID # 91077122.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA-BT/Fus-03/2020/1115 dated 26/06/2020.*

3.3. INADMISSIBLE PAYMENT FOR TACK COAT AND SCARIFYING ON BOTH WMM AND DBM SURFACE - NU.2.288 MILLION

The ADB funded TRIP implemented by DES had made inadmissible payment of Nu.2.614 million in the improvement of Road, Drains and Footpath for roads in and around Motithang, Kawajangsa and Hongkong Market areas. The contractor was paid Nu.0.808 million for providing tack coat & scarifying on Dense Bituminous Macadam (DBM) surface and prime coat on WMM surface, which was already included in the initial cost estimates for the item of works.

In addition, the contractor was given additional works of providing DBM to strengthen the road which eliminated the requirement for providing tack coat to bind layers. However, the contractor was found paid Nu.0.933 million for providing the tack coat on the DBM surface. Further, inadmissible claims amounting to Nu.0.873 million were paid for scarifying works on DBM. The wrong interpretation of the technical specifications was indicative of lack of due diligence by the supervising engineers and

failure to ensure the admissibility of contractor's claims. As of 31 March 2019, the inadmissible payment of Nu.0.326 million has been adjusted from the running bill of the contractor leaving the balance of Nu.2.288 million recoverable. *AIN: 15653; Para: 1; Accountabilities: Direct: Kunlay Yangdon, Deputy Executive Engineer, EID # 201201095; Dendup Lhamo, Engineer, EID # 20140103289; Oma Devi Mahat, Assistant Engineer, EID # 200707070; M/s Hi-Tech and Chimmi RD JV (CDB No. 4840 & 5455) Supervisory: Karma Jamtsho, Chief Engineer, EID # 200301032.*

Status: *The observation was settled based on the adjustments made and verified by auditors on 11/3/2019. Administrative action was also taken vide letter No.TT/INFRA/General/2018-2019/570 dated 07/06/2019 against the accountable officials.*

3.4. UNJUSTIFIED PAYMENT FOR DEPLOYMENT OF AIR COMPRESSOR - NU.1.177 MILLION

The RO, DOR, Thimphu had made unjustified payment of Nu.1.177 million to contractor for hire of Air Compressor for rock excavation works in the construction of Bjakamja-Yuetsa GC road.

For the financial years 2015-2016 & 2016-2017 the total rock excavation works amounted to 7,504.90 m³ as per the PART III recorded information in the measurement book, and the deployment of air compressor worked out to be 480.31 hours using the coefficient of compressor for rock cutting work as per the LMC 2015, which is 0.008 day per cubic meter (7504.90 m³ x 0.008 day/m³ x 8 hours shift). However, the hiring bills depicted hire of air compressor for 1,768.00 hours showing excess deployment of compressor for 1,287.69 hours amounting to Nu.1.177 million. *AIN: 15050; Para: 9.1; Accountabilities: Direct: Tenzin Wangdi, JE, EID # 20130101894; Supervisory: Kuenga, EE, EID # 200307022.*

Status: *The observation was settled based on the follow-up conducted by the audit team during the audit of the financial year 2017 to 2018 and the unsettled issue was reported in the subsequent report AIN 16234.*

3.5. IMPROPER CERTIFICATION OF CONTRACTOR'S BILLS RESULTING IN EXCESS RECOVERY FROM THE CONTRACTOR - NU.1.083 MILLION

The ADB funded *UIP* implemented by the DES had made excess recovery of Nu.1.083 million from the contractor in the construction of Water Treatment Plant and Water Supply Works for Samdrup Jongkhar Thromde. The reconciliation of the bills paid to the contractor revealed cases of excess/short payments with overall excess recoveries amounting to Nu.1.083 million. The officials responsible had failed to correctly verify and certify the contractor's bills, which had resulted into excess recovery of amount. *AIN: 15618; Para: 1.7; Accountabilities: Direct: Mani Kumar Rizal, Project Engineer, EID # 2107158; M/s Tacho Construction Pvt. Ltd., CDB License # 2001; Supervisory: Pema Chokey, Project Manager, EID # 930703344.*

Status: *The observation was settled as the amount of Nu. 1.083 million was adjusted from the 4th RA Bill of the contractor as intimated vide letter No.PMU/UIP/F-13/2018-2019/152 dated 10/05/2019 and letter No.PMU/UIP/F-13/2018-2019/153 dated 21/05/2019.*

3.6. OVERPAYMENT IN CONSTRUCTION DUE TO WRONG QUANTIFICATION OF TMT BARS, ARITHMETIC ERRORS AND INFLATED DIMENSION OF CORNICE & CGI SHEETS - NU.1.012 MILLION

The ADB funded *UIP* implemented by the DES had made overpayment of Nu.1.012 million in the construction of Water Treatment Plant and Water Supply Works for Samdrup Jongkhar Thromde due to improper verification and certification of claims/bills by the concerned site engineer and finance personnel, which resulted in multiplication error, wrong quantification of TMT bars and inflated dimensions. The lapses are indicative of laxity and complacency on the part of the site engineer. *AIN:*

15618; Para: 1.2; Accountabilities: Direct: Mani Kumar Rizal, Project Engineer, EID # 2107158; M/s Tacho Construction Pvt. Ltd., CDB License # 2001; Supervisory: Pema Chokey, Project Manager, EID # 9307033.

Status: The observation was settled as the amount was adjusted from the 4th RA Bill of the contractor as intimated vide letter No.PMU/UIP/F-13/2018-2019/152 dated 10/05/2019 and PMU/UIP/F-13/2018-2019/153 dated 21/05/2019.

3.7 INADMISSIBLE PAYMENT FOR PCC WORK DUE TO EXECUTION OF WRONG SPECIFICATION OF ITEM OF WORK - NU.1.008 MILLION

The ADB funded 'Urban Infrastructure Project' implemented by the DES had made inadmissible payment of Nu.1.008 million in the construction of Water Treatment Plant and Water Supply Works for Samdrup Jongkhar Thromde due to execution of wrong specification of item of work. The contractor had claimed payment for providing and laying PCC works in two different locations, one at the crossing point near check-post and one below road. The specification as per the BoQ was only for execution of work near the check-post and the contractor had no approval for the additional work. In addition, the contractor was found to have claimed at rates higher than the rates quoted with resultant excess payment.

Further, the work was submerged under the road near Dewathang & Samdrup Jongkhar Check- post and could not verify physically to ascertain the accuracy of the measurements. The site engineer and the contractor had also failed to provide the pictorial evidences of the works executed for audit review and validation. The acceptance of claims at higher rates and payment of the same was indicative of extending undue financial favor to the contractor and the existence of possible conflict of interest or collusive practices cannot be ruled out. The supervising officials had failed to ensure that the contractor executed the work as per the technical specification. *AIN: 15618; Para: 1.3; Accountabilities: Direct: Mani Kumar Rizal, Project Engineer, EID # 2107158; M/s Tacho Construction Pvt. Ltd., CDB License # 2001; Supervisory: Pema Chokey, Project Manager, EID # 9307033.*

Status: The observation was settled as the amount was adjusted from the 4th RA Bill of the contractor as intimated vide letter No.PMU/UIP/F-13/2018-2019/152 dated 10/05/2019 and PMU/UIP/F-13/2018-2019/153 dated 21/05/2019.

3.8 CONSTRUCTED UPSTREAM RIVER PROTECTION WALL FOUND NOT VISIBLE - NU.0.838 MILLION

The ADB funded UIP implemented by the DES had supposedly constructed a River Protection Wall measuring 16.8 m in length and 3.3 m in height valuing Nu.0.838 million at 77 m upstream of Weir Axis in the construction of Water Treatment Plant and Water Supply Works for Samdrup Jongkhar Thromde. However, the edge wall was not found visible during physical verification as it was supposedly submerged during the flashflood. The edge wall's function was to reduce the velocity of the river flowing downstream and to block the debris from falling into the reservoir. The non-visibility of the wall indicates failure of the structure in providing the desired performance, which also raises doubts on the quality, alignment and design of the wall. *AIN: 15618; Para: 1.9; Accountabilities: Direct: Mani Kumar Rizal, Project Engineer, EID # 2107158; M/s Tacho Construction Pvt. Ltd., CDB License # 2001; Supervisory: Pema Chokey, Project Manager, EID # 9307033.*

Status: The observation was settled based on the joint site re-verification conducted with the officials from Thromde on 3/12/2019.

3.9. FORMATION CUTTING WORKS OF GAKILING TO RANGTSE GEWOG CENTER ROAD SHOWED EXCESS RECORDING OF VOLUME OF WORK RESULTING INTO RECOVERABLE AMOUNT OF NU.0.260 MILLION

The RO, DOR, Thimphu had made excess payment of Nu.0.260 million in the construction of Gewog Connectivity road of 5 km from Gakiling to Rangtse on the Khamina-Gakiling Secondary National Highway (SNH).

The formation cutting works recorded in measurement book with that of actual work done at site showed significant variations. The height of excavation from the take-off point at Rangtse village was recorded as 3.2 m, 3.6 m and 3.4 m in PART III as against actual height of 1.1 m, 2.1 m, and 2.4 m respectively. The volume of excavation for the 4,680 m stretch of road was also recorded in the measurement book as 139,901.30 m³ against the actual volume of 133,645.87 m³ with resultant excess volume recording of 6,255.43 m³. Due to excess recording of volume of excavation works, there was excess payment for hiring machineries which amounted to Nu.0.260 million.

Such lapses indicated laxity and carelessness of officials towards incorrect recordings of actual excavated heights in the PART III, which serves as a basis to compare the machineries deployed in hours. Since, the records maintained in PART III was incorrect, the payment made for the machineries deployed are not justified. *AIN: 15050; Para 12.1; Accountabilities: Direct: Ugyen Norbu, AE, EID # 201101248; Supervisory: Sangay Tenzin, EE, EID # 200607203.*

Status: *The observation was settled based on the follow-up conducted by the audit team during the audit of the financial year 2017-2018.*

3.10. OVERPAYMENT IN CONSTRUCTION OF PCC FOOTPATH - NU.0.253 MILLION

The ADB funded TRIP implemented by DES had made overpayment of Nu.0.253 million to M/s Hi-tech and M/s Chimmi RD Joint Venture in the construction of footpaths. The overpayment had apparently occurred due to inflated dimensions of the interlocking blocks, length of PCC footpath and non-deduction of openings in the footpath by the site supervisor indicating laxity and complacency on the part of site engineer. *AIN: 15653; Para: 3.1; Accountabilities: Direct: Oma Devi Mahat, Assistant Engineer, EID # 200707070; M/s Hi-Tech and Chimmi RD JV (CDB No. 4840 & 5455); Supervisory: Karma Jamtsho, Chief Engineer, EID # 200301032.*

Status: *The observation was settled as the amount was adjusted from the contractor's final bill as intimated vide letter No.TT/Infra-Division/2018-2019/1805 dated 06/06/2019.*

3.11. INADMISSIBLE PAYMENT IN CONSTRUCTION OF GABION WALL - NU.0.045 MILLION

The ADB funded TRIP implemented by DES had made inadmissible payment of Nu.0.045 million to the contractor, M/s Hi-Tech and Chimmi RD JV in the construction of gabion walls. The cost of excavation and backfilling rates were already inbuilt in the gabion wall, but separate payment was found made to the contractor. The inadmissible claim had occurred due to improper certification of the contractor's claims by the project site engineer and failure to ensure the admissibility of contractor's claims prior to settlement. *AIN: 15653; Para: 3.2; Accountabilities: Direct: Oma Devi Mahat, Assistant Engineer, EID # 200707070; M/s Hi-Tech and Chimmi RD JV (CDB No. 4840 & 5455); Supervisory: Karma Jamtsho, Chief Engineer, EID # 200301032.*

Status: *The observation was settled as the amount was adjusted from the contractor's final bill as intimated vide letter No.TT/Infra-Division/2018-2019/1805 dated 06/06/2019.*

3.12. DEFICIENCIES IN MAINTAINING PART III RECORDS, DETAILS OF MEASUREMENT

The RO, DOR, Thimphu had not carried out detailed topography survey before executing 3.26 km formation cutting works in the construction of Bjakamja-Yuetsa GC road during the financial year 2015-2016 as required. Despite having raised the same issue in earlier audit, the RO after the completion of formation cutting still had not carried out survey to assess exact volume of cut, fill, banking and spillage for the financial years 2015-2017. The topography survey is required to derive the actual volume of cut, fill, banking and spillage for preparation of pre-requisite records in PART III.

Further, it was noted that the first cutting for 3.26 km of the total formation cutting works was not complete in all aspects and was executed only to allow the excavator to proceed further and was not pliable for other construction vehicles as required. Also, the excavator had to return to the starting point for completion of formation cutting works and fueling. Due to the lack of pre-requisite information and non-completion of works in all aspects, it could not be established as correct reporting and hence, the machine hiring charges could not be validated. *AIN: 15050; Para: 9.3; Accountabilities: Direct: Tenzin Wangdi, JE, EID # 20130101894; Supervisory: Kuenga, EE, EID # 200307022.*

Status: *The observation was settled based on the follow-up conducted by the audit team during the audit of the financial year 2017-2018.*

3.13. DEFICIENCIES IN MAINTAINING PART III RECORDS

The RO, DOR, Thimphu had applied incorrect formulae for box cutting excavation works in the Measurement Book (MB) and also did not have pre-requisite information detailing the volume of excavation, filling, banking and spillage works in PART-III in the construction of 5-km Gewog Connectivity road from Gakiling to Rangtse on the Khamina-Gakiling Secondary National Highway (SNH).

Further, the audit could not establish the accuracy of the measurements recorded by the site engineer in PART III as it neither had the pre-requisite information as required, nor did it portray the measurements for filling and banking works to derive the actual work done. *AIN: 15050; Para: 12.2; Accountabilities: Direct: Ugyen Norbu, AE, EID # 201101248; Supervisory: Sangay Tenzin, EE, EID # 200607203.*

Status: *The observation was settled based on the follow-up conducted by the audit team during the audit of the financial year 2017-2018.*

3.14. DELAY IN THE IMPLEMENTATION AS PER THE WORK PLAN

The RO, DOR, Thimphu had delays in the completion of black topping works carried out by M/s Raven Builder & Co. Pvt. Ltd, Thimphu on the Secondary National Highway (SNH) from Khamina- Gakidling (7 km) and Gakidling-Rangtse under HAA. The works had commenced from 5 July 2016 and was scheduled to be completed on 5 January 2018 in 18 months. However, only 700 m of L- shaped road side drain was found completed against the planned 13,000 m. Besides the drains, the labour camps had been constructed and some materials were found stacked at site at the time of audit. *AIN: 15050; Para: 12.4; Accountabilities: Direct: Ugyen Norbu, AE, EID # 201101248; Supervisory: Sangay Tenzin, EE, EID # 200607203.*

Status: *The observation was settled based on the letter No.RO-T/DoR/Acc-07/2020-2021/264 dated 11/09/2020 as action taken report was submitted along with supporting documents.*

1.3.2 DZONGKHAGS

1.3.2.1 DZONGKHAG ADMINISTRATION, BUMTHANG

During the year, the RAA conducted one audit of Dzongkhag Administration, Bumthang. There were 14 observations amounting to Nu.3.477 million of which eight observations amounting to Nu.1.474 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.2.003 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.874 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.129 million as summarised below.

Out of the total unresolved irregularities of Nu.1.129 million reported to the Parliament in June 2019, Nu.0.741 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzongkhag Administration. The unresolved significant irregularities amounting to Nu.0.388 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-Compliance to Laws and Rules	0.098	0.098	-	100
2	Shortfalls, Lapses and Deficiencies	1.031	0.643	0.388	62
	Total	1.129	0.741	0.388	65.63

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

The cases of non-compliance to laws and rules involving Nu.0.098 million are as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in millio	Balance Nu. in million
1.1	Less payment of salary and GPF due to wrong fixation of pay on promotion and revision	0.098	0.098	-
1.2	Defects noted in blacktopping works from Chamkhar to Jakar Lhakhang urban road	-	-	Settled
	Total	0.098	0.098	-

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

1.1. LESS PAYMENT OF SALARY AND GPF DUE TO WRONG FIXATION OF PAY ON PROMOTION AND REVISION - NU.0.098 MILLION

The Dzongkhag Administration, Bumthang had made less/short payments amounting to Nu.0.098 million on account of salary and GPF due to wrong pay fixation of officials on promotion and pay

revision. The lapses had occurred due to non-adherence to the rules and specific clauses of pay fixation. *AIN: 15192; Para: 12; Accountabilities: Direct: Ugyen Dorji, HRO, EID # 200905004; Supervisory: Tshering Penjor, Finance Officer, EID # 200507266.*

Status: *The observation was settled as the Dzongkhag had rectified the system which was verified by the audit team.*

1.2. DEFECTS NOTED IN BLACKTOPPING WORKS FROM CHAMKHAR TO JAKAR LHAKHANG URBAN ROAD

The Dzongkhag Administration, Bumthang had not instructed the contractor, M/s Yearang Construction to rectify the damages in the blacktopping works on the stretch near the BDBL office area, which were found damaged due to overflow of drain water. Further, the opening for the service duct of telecom cable lines were found open and not covered properly which had caused wear and tears to the roads. The lapses had occurred due to taking over of the defective works from the contractor by the handing taking over committee without properly verifying the site and could also be attributed to the poor drainage system in the area. *AIN: 15192; Para: 10; Accountabilities: Direct: Pema Lethro, JE, EID # 20150105051; Supervisory: Yeshe Dorji, DE, EID # 9307017.*

Status: *The observation was settled as the works were rectified as per the letter No.JKD/DES-21/2019/576 dated 24/12/2018.*

2. Shortfalls, Lapses and Deficiencies - Nu.0.388 million

There were cases of shortfalls, lapses and deficiencies involving Nu.1.031 million as summarised below:

Sl. No	Observation in Brief	Total Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Excess payment made to contractor due to error in computation of final bill payment	0.419	0.181	0.238
2.2	Excess payment of salary and GPF due to inadmissible granting of increment during pay revision	0.462	0.462	-
2.3	Payment of full salaries and voucher allowance before administration of oath or affirmation of office	0.151	-	0.151
	Total	1.031	0.643	0.388

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

2.1. EXCESS PAYMENT MADE TO CONTRACTOR DUE TO ERROR IN COMPUTATION OF FINAL BILL PAYMENT - NU.0.419 MILLION

The Dzongkhag Administration, Bumthang had made excess payment of Nu.0.600 million to M/s Phurpa Construction and Painting in the construction of 4-Unit Staff Quarters at Wangdicholing Hospital, Bumthang due to erroneous computation. The lapses had occurred apparently due to improper verification of contractor's claims by the Accountant and Site Engineer which was indicative of lack of control and checks exercised by the Supervising Engineer to ensure the admissibility of claims. As of 31 March 2019, a sum of Nu.0.181 million was recovered leaving balance of Nu.0.419 million unresolved. *AIN: 15192; Para: 2; Accountabilities: Direct: Sonam Pelden, Accountant, EID # 200907149; Supervisory: Tshering Penjor, Finance Officer, EID # 200507266.*

Status: Observation partially settled. A sum of Nu.0.181million was deposited vide R/No.469174 dated 26.06.2018 leaving a balance of Nu.0.238 million.

2.2. EXCESS PAYMENT OF SALARY AND GPF DUE TO INADMISSIBLE GRANTING OF INCREMENT DURING PAY REVISION - NU.0.462 MILLION

The Dzongkhag Administration, Bumthang had made excess payment of Nu.0.462 million on account of salary and GPF due to inadmissible granting of increment during pay revision for 2S new recruits and wrong pay fixation for five employees at the time of pay revision in contravention to Clause No. 11.3.1 of BCSR 2012. *AIN: 15192; Para: 11; Accountabilities: Direct: Ugyen Dorji, HRO, EID # 200905004; Supervisory: Tshering Penjor, Finance Officer, EID # 200507266.*

Status: The observation was settled based on the clarification obtained from DNB, MoF that the pay fixation was as per the pay revision notification 2014 schedule-III of the Budget Specialist, DNB, MoF, Thimphu and the same was endorsed by the 2nd Follow-up Committee meeting held on 05/04/2019.

2.3. PAYMENT OF FULL SALARIES AND VOUCHER ALLOWANCE BEFORE ADMINISTRATION OF OATH OR AFFIRMATION OF OFFICE - NU.0.151 MILLION

The Dzongkhag Administration, Bumthang had made payment of full salaries and voucher allowance to local government leaders for the month of October 2016 before administering oath or affirmation of Office, which was not in line with the notification^S issued by the Department of Local Governance (DLG).

The results of the second local government elections under the Constitution of the Kingdom of Bhutan was declared by the Election Commission of Bhutan on 28 September, 2016. The Dzongkhag Administration, Bumthang had issued order for the oath or affirmation to all the Local Government elected leaders on 21 October, 2016 and confirmed the date of 'Oath of Affirmation of Office' as 18 October, 2016. The RAA noted that despite the DLG's notifications, there were inconsistent practices. *AIN: 15192; Para: 13; Accountabilities: Direct: Rigzin Namdrol, Finance Officer, EID # 20130101144; Supervisory: Rigzin Namdrol, Finance Officer, EID # 20130101144.*

Status: Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2020/1118 dated 26/06/2020.

⁴ "All the Local Government members shall be administered Oath or Affirmation of Office by the Drangpon in the presence of the Dzongdag as provided for in the Third Schedule of the Constitution, prior to assuming their responsibilities. After administration of the Oath or Affirmation of Office, the Dzongdag shall confer the dhar placed before His Majesty's Portrait to the members of the LGs. The venue for holding the Oath or Affirmation of Office ceremony shall be the Dzongkhag Tshogdu Hall. The date on which the LG members are administered Oath or Affirmation of Office shall be the day on which the member is declared elected. The commencement of entitlements for the LG member will be the date on which the member is declared elected."

1.3.2.2 DZONGKHAG ADMINISTRATION, CHHUKHA

During the year, the RAA conducted two audits of Dzongkhag Administration, Chhukha. There were 79 observations amounting to Nu.10.652 million of which 23 observations amounting to Nu.2.333 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.8.319 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.1.945 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.6.374 million as

summarised below.

Out of the total unresolved irregularities of Nu.6.374 million reported to the Parliament in June 2019, Nu.2.539 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzongkhag Administration. The unresolved significant irregularities amounting to Nu.3.835 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	3.011	1.636	1.375	54.33
2	Non-Compliance to Laws and Rules	0.665	-	0.665	-
3	Shortfalls, Lapses and Deficiencies	2.698	0.903	1.795	33.47
	Total	6.374	2.539	3.835	39.83

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Fraud, Corruption and Embezzlement - Nu.1.375 million

There were cases with elements of fraud, corruption and embezzlement involving Nu.3.011 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Encashment of remittances through issuance of self cheque	1.245	-	1.245
1.2	Misappropriation of pay and allowances through fraudulent malpractices	0.660	0.530	0.130
1.3	Non surrender of cash balance by the dealing accountant	-	-	-
1.4	Unauthorized transfer of fund into personal saving account	0.315	0.315	-
1.5	Encashment of statutory remittances through self cheque	0.127	0.127	-
1.6	Intentional booking of excess allowance and misappropriation	0.116	0.116	-
1.7	Inflating the bills of contractor for personal gain	0.106	0.106	-
1.8	Irregular payment through fraudulent transactions	0.097	0.097	-
1.9	Double booking of retirement benefits and misappropriation	0.091	0.091	-
1.10	Cash payment without acknowledgement receipts	0.086	0.086	-
1.11	Excess payment of pay and allowances	0.048	0.048	-
1.12	Double booking of salary and misappropriation	0.030	0.030	-
1.13	Irregular Payment of rural life insurance claims	0.030	0.030	-

1.14	Advance booked as final expenditure	0.030	0.030	-
1.15	Irregular payment to accountant	0.030	0.030	-
1.16	Misappropriation of fund transferred from Menjiwoong Central School for pay and allowances of transferees	-	-	Unsettled
1.17	Misappropriation of pay and allowance through fraudulent malpractices	-	-	Unsettled
1.18	Huge sanction of PW Advances and irregular adjustments leading to misuse of fund	-	-	Unsettled
1.19	Deposit of Resungpas' salary into personal account	-	-	Unsettled
1.20	Misappropriation of government fund through wrong booking of remittances	-	-	Unsettled
1.21	Double booking of salary	-	-	Unsettled
1.22	Huge sanction of PW Advances in the name of dealing accountant and irregular adjustments thereof	-	-	Unsettled
1.23	Irregular creation of statutory receipt balances	-	-	Unsettled
1.24	Embezzlement through double booking of arrear payment	-	-	Unsettled
1.25	Advance booked as expenditure and misuse of funds	-	-	Unsettled
1.26	Misappropriation of pay and allowance through fraudulent malpractices	-	-	Unsettled
1.27	Booking of excess allowance for personal gain	-	-	Unsettled
1.28	Inadmissible booking of LTC/LE and misappropriation	-	-	Unsettled
1.29	Irregular payment of leave encashment and misappropriation	-	-	Unsettled
	Total	3.011	1.636	1.375

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

1.1. ENCASHMENT OF REMITTANCES THROUGH ISSUANCE OF SELF CHEQUE NU.1.245 MILLION

The Dungkha Administration, Phuentsholing (DAP) had remitted statutory deductions amounting to Nu.1.245 million to respective agencies and departments through issuance of self cheques for the financial year 2016 2017. As per vouchers, the payments of remittances were transferred through an account payee cheques.

However, there were no money receipts/acknowledgement receipts attached with the payment vouchers. Review of cheques deposited with the Bank of Bhutan, Phuentsholing, revealed that the remittance cheques were drawn as self cheque in the name of the Accountant instead of account payee cheques to respective agencies/departments. There were also cases of deductions made from object codes, which do not require remittances to the Department of Revenue & Customs (DRC). An amount of Nu.0.046 million was deducted from object code 87.22 'Other Recoveries and Remittances' and Nu.0.151 million was deducted from broad head 8.d, object code 89.24 'Others'. There was no relevancy or requirement for such remittances as it pertains to Non Revenue release for Fund transfer of pay and allowances of teachers. The same expenditure was later found transferred to object code 21.01 'Current Grants: individual/Non profit Org'.

The equivalent amounts were then found withdrawn as self cheques clearly indicating manipulation of accounting records which were not in line with provision of the FRR. The lapses had occurred mainly due to lack of integrity, which was further compounded by poor supervision and weak internal control, leading to irregular financial transactions. *AIN: 15334; Para: 7; Accountabilities: Direct: Chhimi Dorji*

Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.

Status: *Observation not settled.*

1.2. MISAPPROPRIATION OF PAY AND ALLOWANCES THROUGH FRAUDULENT MALPRACTICES NU.0.130 MILLION

The Accountant of DAP had misappropriated and siphoned Nu.0.660 million of pay and allowances through fraudulent malpractices as follows:

- Pay and allowances amounting to Nu.0.690 million were booked in the name of employees who had already separated from service, were on extra ordinary leave and those transferred out from DAP; Some amounts were transferred into the Accountant's personal account and his daughter's personal savings accounts by indicating himself and his daughter as teachers of Darla Middle Secondary School;
- Advances were found booked in the name of School Principals without their consent and by forging their signatures in the advance application form. The advances were subsequently deducted from the monthly pay as per pay bill but the actual salary of respective Principals were found deposited into the bank without deducting the advances, which had avoided detection by Principals. The advances were found adjusted from the Principals monthly TA/DA bills and other claims payable to Principals. The TA/DA claims of Principals were also found deposited into the Accountant's personal saving account;
- Amount of Nu.0.041 million and Nu.0.290 million were booked as salaries in the name of Sonam Choden, Teacher, Darla Middle Secondary School and Ugyen Wangdi, Chimuna Community Pry School respectively, but were found to be on Extra Ordinary Leave (EOL) from 1 March 2016. The issue was raised as inadmissible payment during earlier audit and Nu.0.104 million had been deposited into Audit Recoveries Account (ARA).

Scrutiny of the statement of salary disbursement sent to the Bank of Bhutan, Phuentsholing to confirm the actual facts and figures revealed that the amount booked against the above employees were not deposited into their saving account but misappropriated by the Accountant.

The lapses had occurred mainly due to lack of integrity on the part of dealing Accountant, that was further exacerbated by apparent lack of supervision and monitoring controls, leading to siphoning of government funds. *AIN: 15334; Para: 1; Accountabilities: Direct: Chhimi Dorji, Accountant, EID 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID9308053; Rabgye Tobden, Former Drungpa, EID 9208098;*

Status: *Observation partially settled. An amount Nu.0.530 million has been adjusted since the amount was already deposited while in memo stage vide receipt No. 456329 dated 25.5.2018 leaving a balance of Nu.0.130 million.*

1.3. NON-SURRENDER OF CASH BALANCE BY THE DEALING ACCOUNTANT

The Dzongkhag Administration, Chhukha had transferred two contract works along with budget and activity details to the DAP at the time of introduction of Public Expenditure Management System (PEMS) in FY 2010-2011. After payment of final bills, there were cash balances amounting to Nu.0.529 million recovered from the two contract works which were not surrendered to the Dzongkhag Administration by the DAP.

The spillover contract work for the construction of 6-unit Classroom, toilet and water supply at Khatyakha was awarded to M/s Tashi Construction and there were unadjusted Public Works Advances (PWA) of Nu.0.931 million against the contractor. Since the work could not be completed in FY 2009-2010, it was kept under 'Closed Work' till completion of works and making the final payments on 10 April 2012.

The Accountant had adjusted the total advances amounting to Nu.0.931 million from the final bill and withheld by the Accountant till 5 May 2013. After a lapse of 11 months, Nu.0.488 million was deposited with the Dzongkhag Administration and the remaining balance of Nu.0.443 million was retained by the Accountant and remitted only on 19 July 2017 upon detection by the Dzongkhag Administration.

Similarly, for the construction of 32-bedded hostel at Sinchula by M/s Sonam Construction, the accountant had adopted the above modus operandi and retained the amount of Nu.0.086 million till it was detected by the Dzongkhag Administration and then only the amount was deposited to DPA on 4 August 2017.

The above lapses are indicative of weak internal controls including the supervisory and monitoring controls that provided ample opportunity for the Accountant to take undue financial advantage by retaining huge cash at his discretion. *AIN: 15357; Para: 21; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID #9308053.*

Status: Observation not settled. Administrative action needs to be taken against the accountable persons.

1.4. UNAUTHORIZED TRANSFER OF FUND INTO PERSONAL SAVING ACCOUNT - NU.0.315 MILLION

The DAP had made unauthorized transfer of Nu.0.215 million into Personal Savings Account in violation of the provision of FRR 2016. Following the transfer of two teachers of Rangaytung Primary School, Phuentsholing to Wangdue during the financial year 2016-2017, the DAP had transferred Nu.0.315 million on 21 June 2017 into the personal savings account of Yeshey Tshering, Officiating Accounts Officer, Dzongkhag Administration, Wangdue instead of transferring to the Dzongkhag Administration, Wangdue.

Subsequently, Yeshey Tshering had also issued a Non-Revenue Receipt to the DAP as evidence of having deposited the fund into LC account. However, the said amount was not reflected in the cashbook of Dzongkhag Administration, Wangdue. A reversal voucher to annul the transaction was found deliberately prepared evidencing that Yeshey Tshering, Accountant had misused the amount. The possible collusion between two dealing accounts personnel could not be ruled out.

Further, Yeshey Tshering, Accountant, Dzongkhag Administration, Wangdue had deposited Nu.0.100 million into the personal saving account of Sonam Tshering, who is reportedly a cousin of Yeshey Tshering, but had no official relation to Dzongkhag Administration, Wangdue.

The lapses had occurred mainly due to lack of integrity on part of dealing Accountants of both Dzongkhag Administration, Phuentsholing and Dzongkhag Administration, Wangdue. It was further compounded by poor supervision and weak internal controls with resultant misappropriation of government fund as a result of the Accountants from both Administrations having indulged in fraudulent practice. *AIN: 15334; Para: 11; Accountabilities: Direct: Yeshey Tshering, Accountant, EID # 8712022; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

Status: Observation partially settled. The amount has been recovered, however, administrative action needs to be taken against the accountable persons.

1.5. ENCASHMENT OF STATUTORY REMITTANCES THROUGH SELF CHEQUE - NU.0.127 MILLION

The DAP had remitted statutory deductions amounting to Nu.0.127 million to respective agencies and departments through issuance of self cheques for the financial year 2015-2016. As per vouchers, the payments of remittances were transferred through an account payee cheques. However, there were no money receipts/acknowledgement receipts attached with the payment vouchers. Review of cheques deposited with the Bank of Bhutan, Phuentsholing, revealed that the remittance cheques

were drawn as self cheque in the name of the Accountant instead of account payee cheques to respective agencies/departments.

The encashment of self Cheque by Accountant for remitting the statutory remittance when it should have been an account payee Cheque as per voucher is not in line with provision of the FRR. The lapses had occurred mainly due to lack of integrity, which was further compounded by poor supervision and weak internal control, leading to irregular financial transactions. *AIN: 15334; Para: 37; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled.*

1.6. INTENTIONAL BOOKING OF EXCESS ALLOWANCE AND MISAPPROPRIATION - NU.0.116 MILLION

The Accountant of DAP had misappropriated Nu.0.116 million by double booking excess allowance against two teachers of Darla Middle Secondary School, working under DAP. Cross-checking salary disbursement statement with records of BoBL revealed that the excess allowances were not deposited into the two teachers' savings account but were found misappropriated by the Accountant. The lapses had occurred mainly due to lack of integrity in discharge of official duties, compounded by apparent lack of supervision and monitoring controls by official holding position of responsibility, leading to siphoning of Government funds. *AIN: 15334; Para: 3; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation partially settled. Amount has been adjusted since it was already deposited at memo stage vide receipt No. 456454 dated 02.07.2018, however, administrative action needs to be taken against the accountable persons.*

1.7. INFLATING THE BILLS OF CONTRACTOR FOR PERSONAL GAIN - NU.0.106 MILLION

The Accountant of the DAP had inflated the Running Account Bills of the contractor amounting to Nu.0.106 million in the construction of Kitchen and Dining hall at Sinchula PS awarded to M/s Nimgang Construction, Chukha. The accountant had booked more expenditure than the expenditure claimed by the contractor or certified by site engineer in the MB. The lapse was an intentional act of the dealing Accountant to defraud the Government. *AIN: 15334; Para: 26; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

Status: *Observation not settled.*

1.8. IRREGULAR PAYMENT THROUGH FRAUDULENT TRANSACTIONS - NU.0.097 MILLION

The DAP had made irregular payments amounting to Nu.0.309 million to the Accountant during the financial year 2016-2017.

- Amount of Nu.0.123 million was booked as payment to Dungkhag staff on account of various claims, of which the Accountant had booked Nu.0.043 million under object code 96.01 'Payment of refundable deposit' but the payment was found encashed by the Accountant through self cheque and not disbursed to the staff;
- Amount of Nu.0.045 million was booked as payments of Rural Life Insurance Claim and were found inflated in the payment vouchers as against the actual payments disbursed and supported by documents. The inflated amount was retained by the Accountant and was not accounted for in the books of Account;

- Amount of Nu.0.221 million was booked as security deposit refund to M/s Tshering Construction but the original voucher was not available for verification. M/s Tshering Construction also confirmed that the firm did not receive the amount.

The lapses had occurred mainly due to lack of integrity on the part of dealing Accountant in delivery of official duty, a situation further exacerbated by poor supervision and weak internal controls, leading to siphoning of Government funds.

As of 31 March 2019, the amount remaining unresolved was Nu.0.097 million. *AIN: 15334; Para: 8; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled.*

1.9. DOUBLE BOOKING OF RETIREMENT BENEFITS AND MISAPPROPRIATION - NU.0.091 MILLION

The Accountant of DAP had misappropriated Nu.0.196 million by double booking the retirement benefits of a deceased teacher of Chongaykha Primary School in different financial years. The deceased teacher was entitled to Nu.0.214 million but the total payment amounted to Nu.0.319 million with resultant double payment of Nu.0.10S million. Further re-verification of the transactions with the Bank of Bhutan, Phuentsholing revealed the total amount embezzled and deposited into the Accountant's personal saving account was Nu.0.196 million.

The lapses had occurred mainly due to lack of integrity on the part of dealing Accountant which was further exacerbated by poor supervision and weak internal controls leading to siphoning of government funds. The accountant had refunded Nu.0.10S million into the ARA leaving a balance of Nu.0.091 million. The offence is liable for legal actions for fraudulent malpractices. *AIN: 15334; Para: 16; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

Status: *Observation not settled.*

1.10. CASH PAYMENT WITHOUT ACKNOWLEDGEMENT RECEIPTS - NU.0.086 MILLION

The DAP had made cash payment aggregating to Nu.0.086 million towards remittances of statutory deductions to various agencies. However, there were no acknowledgement receipts with the disbursement vouchers to authenticate the payment released. The lapses had occurred mainly due to lack of integrity, which was exacerbated by poor supervision and weak internal controls, which provided opportunity to misappropriate funds. *AIN: 15334; Para: 6; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled.*

1.11. EXCESS PAYMENT OF PAY AND ALLOWANCES - NU.0.048 MILLION

The DAP had made excess payment of Nu.0.10S million on account of Pay and Allowances to four officials who were either transferred to other agencies or terminated/resigned from service. The payments were found deposited into their respective individual savings account. The Accountant had accepted the lapse and deposited Nu.0.0S7 million into ARA leaving a balance amount of Nu.0.048 million. *AIN: 15334; Para: 39; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled.*

1.12. DOUBLE BOOKING OF SALARY AND MISAPPROPRIATION - NU.0.030 MILLION

The Accountant of DAP had misappropriated Nu.0.168 million by double booking salaries against various teachers working under Dungkhag Administration. The lapses had occurred mainly due to lack of integrity on the part of dealing Accountant and exacerbated by lack of supervision and monitoring controls, leading to siphoning of government funds. As of 31 March 2019, the amount remaining unresolved amounted to Nu.0.030 million. *AIN: 15334; Para: 2; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

Status: *Observation not settled.*

1.13. IRREGULAR PAYMENT OF RURAL LIFE INSURANCE CLAIMS - NU.0.030 MILLION

During the financial year 2015-2016, the Accountant of the DAP had booked Rural Life Insurance claims amounting to Nu.0.030 million in excess of the actual disbursement made to the beneficiaries and misused.

The lapses had occurred mainly due to lack of Integrity which was further exacerbated by poor supervision and weak internal control leading to misuse of government fund. *AIN: 15334; Para: 38; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation partially settled. The amount has been adjusted since it was already deposited while at memo stage vide receipt No. 456198 dated 11.4.2018, however, administrative action needs to be taken against the accountable persons.*

1.14. ADVANCE BOOKED AS FINAL EXPENDITURE - NU.0.030 MILLION

The Accountant of the DAP was sanctioned an advance of Nu.0.030 million to meet VVIP expenses. However, the amount was found booked as expenditure under object code 17.03 'Transportation' instead of as advance. There were no bills and records pertaining to the conduct of activity. The lapses had occurred mainly due to poor supervision and weak internal controls. *AIN: 15334; Para: 40; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled. The amount has not been recovered, however, administrative action needs to be taken against the accountable persons.*

1.15 IRREGULAR PAYMENT TO ACCOUNTANT - NU.0.030 MILLION

The DAP had irregularly disbursed Nu.0.030 million as double salary advance. Based on the application of the Principal of Khatoeykha Primary School dated 9 October 2017, a salary advance of Nu.0.030 million was found booked vide DV No. 10.35 dated 10 October 2017 and paid in cash. Another salary advance of Nu.0.030 million was found booked vide voucher No.10.48 dated 16 October 2017 but without the signature of the recipient. However, the second payment was the actual advance amount released to the Principal as it was found deposited into the Principal's bank account. The lapses had occurred apparently due to lack of integrity, which was further compounded by poor supervision and weak internal controls. *AIN: 15334; Para: 46; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

Status: *Observation not settled. Amount needs to be recovered and administrative action against the accountable persons to be taken.*

1.16 MISAPPROPRIATION OF FUND TRANSFERRED FROM MENJIWOONG CENTRAL SCHOOL FOR PAY AND ALLOWANCES OF TRANSFEREES

The Accountant of DAP had requested Menjiwoong Central School (MCS), Samdrup Jongkhar to transfer Pay and Allowances in respect of Mr. Tshering upon his transfer as Principal of Darla MSS. Accordingly, MCS had deposited Nu.0.463 million into the personal saving account of the Accountant of DAP in violation of the provision of FRR 2016. As per the PEMS, the Accountant had deposited the amount into the Non-Revenue account but in actuality, the amount was found retained in his personal account. The amount deposited in the non-revenue account was found met from normal budgetary funds.

The lapses had occurred mainly due to lack of integrity in discharge of official responsibilities, which was further exacerbated by poor supervision and monitoring controls leading to siphoning of government funds. *AIN: 15334; Para: 10; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled. Administrative action needs to be taken against the accountable persons.*

1.17 MISAPPROPRIATION OF PAY AND ALLOWANCE THROUGH FRAUDULENT MALPRACTICES

The Accountant of the DAP had misappropriated Pay and Allowance amounting to Nu.0.491 million through fraudulent malpractices. Scrutiny of statement of salary disbursement sent to the BOBL, Phuentsholing against the deposit of salaries into the employees' saving account in the bank revealed that the amounts booked were not deposited into the respective savings accounts.

The Accountant had deposited some amounts into his personal saving account as well as into his daughter's account; paid teachers higher salaries as per the pay bill and then recovered the excess payments in the form of claims for transfer grants or leave encashment; and also paid salaries to a ghost employee from October 2015 till February 2016. The lapses had occurred mainly due to lack of Integrity, which was further exacerbated by poor supervision and monitoring controls, leading to siphoning of government funds.

The amount was deposited into ARA by the Accountant pending appropriate actions for fraudulent malpractices. *AIN: 15334; Para: 31; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098*

Status: *Observation not settled. Administrative action needs to be taken against the accountable persons.*

1.18. HUGE SANCTION OF PW ADVANCES AND IRREGULAR ADJUSTMENTS LEADING TO MISUSE OF FUND

The DAP had sanctioned advances amounting to Nu.0.420 million of which Nu.0.300 million was for disbursement of Rural Life Insurance claims for the financial year 2016-2017. However, the Accountant had directly paid the claims without adjusting the advance.

- Amount of Nu.0.250 million was booked under capital expenditure without any supporting documents;
- Nu.0.040 million was booked under capital expenditure towards the end of financial year to avoid the lapse of fund and was withheld in the form of draft;
- Nu.0.030 million was adjusted as other recoveries deducted from monthly pay bill of employees for excess/inadmissible payments made earlier. There were no supporting documents; and
- Nu.0.040 million was adjusted against expenses incurred for conduct of office Rimdro. However, the expenses were found deducted from individual employee's pay bill and not from government funds.

The original Journal Vouchers (JV) were not made available at the time of audit which indicated that the JV adjustments were executed in the system merely to liquidate the advance for personal benefits. The lapses had occurred apparently due to lack of segregation of duties in operation of PEMS as the dealing Accountant was granted full financial autonomy in preparing and approving the vouchers in PEMS. This was further exacerbated by poor supervision and monitoring controls, which provided avenue to misappropriate government funds. *AIN: 15334; Para: 5; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled. Administrative action needs to be taken against the accountable persons.*

1.19. DEPOSIT OF RESUNGPAS' SALARY INTO PERSONAL ACCOUNT

- i. During the FY 2016-17, the Dzongkhag Administration, Chhukha had released Nu.0.352 million in the personal account of the Accountant of DAP for further disbursement of salaries of *Resungpas* under the Dungkhag Administration. However, the salaries to *Resungpas* were found met from the normal budget of Dungkhag Administration and the amount deposited by Dzongkhag Administration, Chukha was not accounted for in the Dungkhag Administration's books of accounts.
- ii. Similarly, during the FY 2015-16, the Accountant had missappropriated Nu.0.185 million on account of salaries for *Resungpas* under the Dungkhag Administration, Phuentsholing using same modus operandi.

Further, there were no supporting documents such as money receipt or acknowledgement receipt for the amounts disbursed to the *Resungpas* due to which the authenticity of the payment could not be vouched. The lapses had occurred mainly due to lack of integrity that was further exacerbated by an apparent lack of supervision and monitoring controls by official holding position of responsibility, leading to siphoning of government funds.

The amount was deposited into ARA by the Accountant pending appropriate actions. *AIN: 15334; Para: 4 & 34 Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled. Administrative action needs to be taken against the accountable persons.*

1.20. MISAPPROPRIATION OF GOVERNMENT FUND THROUGH WRONG BOOKING OF REMITTANCES

The DAP had remitted Nu.0.293 million and Nu.0.292 million to the Department of Revenue and Customs (DRC) on account of salary tax and Health contribution for the month of October 2017 on 10 October 2017 and 15 October 2017 respectively. There was no acknowledgement receipt available for authentication of the first remittance and the second remittance was found wrongly booked as expenditure under object code 24.03 '*Contribution of Provident Fund*'. The actual statutory deductions and amount of remittances as per the DRC's RAMIS was Nu.0.292 million with resultant excess payment of remittance amounting to Nu.0.293 million.

The lapses had occurred mainly due to lack of integrity and poor supervision and monitoring controls. The Accountant had deposited the amount into ARA but appropriate action is pending. *AIN: 15334; Para: 44; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

Status: *Observation not settled. Administrative action needs to be taken against the accountable persons.*

1.21. DOUBLE BOOKING OF SALARY

The Accountant of the DAP had booked double salaries amounting to Nu.0.209 million against teachers and Health staffs working under DAP during the FY 2015-16. While the first payment was made to the teachers and health staffs, the second payment was deposited into the Accountant's personal saving and the accounts of his relatives and daughter.

The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 32; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled. Administrative action needs to be taken against the accountable persons.*

1.22. HUGE SANCTION OF PW ADVANCES IN THE NAME OF DEALING ACCOUNTANT AND IRREGULAR ADJUSTMENTS THEREOF

The DAP had sanctioned Nu.0.300 million to the Accountant in the financial year 2015-2016 for disbursement of Rural Life Insurance claims. However, the Accountant had directly paid the claims without adjusting the advance and had kept huge cash balance at his discretion.

Further, the adjustment of advances of Nu.0.149 million was made through irregular procedures as follows:

- Amount of Nu.0.134 million was adjusted by booking the expenditure under object code 1.01 'Pay and Allowance' and 2.01 'Other Personnel Emoluments' without any supporting documents. Further, there were no deductions/adjustments for the same in any of the pay bills; and
- Amount of Nu.0.015 million was adjusted from a contractor's claim without authorization from the contractor.

The lapses had occurred apparently due to lack of integrity and poor supervisions and weak internal controls. The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 35; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled. Administrative action needs to be taken against the accountable persons.*

1.23. IRREGULAR CREATION OF STATUTORY RECEIPT BALANCES

The Accountant of the DAP had created statutory deductions amounting to Nu.0.134 million on account of Tax Deducted at Source (TDS) but without any supporting documents. The amount was found deposited into DRC account as per bank confirmation. A statutory deduction such as TDS is meant to be collected at source of the income, there was no requirement to create separate receipts without any source of income. The lapses had occurred apparently due to lack of integrity and poor supervisions and weak internal controls. The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 45; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

Status: *Observation not settled. Administrative action needs to be taken against the accountable persons.*

1.24. EMBEZZLEMENT THROUGH DOUBLE BOOKING OF ARREAR PAYMENT

The Accountant of the DAP had embezzled Nu.0.098 million through double booking of arrear payment. A sum of Nu.0.178 million was found booked on 9 March 2017 on account of arrear payment of pay and allowance to the employees. Another arrear payment of Nu.0.098 million was found booked again on 10 March 2017 and deposited into his personal saving account. The lapses are

indicative of deliberate misuse of funds through fabrication of accounting records, facilitated by poor supervision and weak internal control. The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 15; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

Status: *Observation not settled. Administrative action needs to be taken against the accountable persons.*

1.25. ADVANCE BOOKED AS EXPENDITURE AND MISUSE OF FUNDS

The DAP had sanctioned Nu.0.080 million as advance to the Accountant to meet expenses for VVIPs. However, the advance amount was recorded as final expenditure under object code 51.01 'Expenditure on structure: Building'. There were no bills and records pertaining to the conduct of activity and the fund was misused by accountant.

The lapses had occurred mainly due to poor supervision and weak internal controls. The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 9; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled. Administrative action needs to be taken against the accountable persons.*

1.26. MISAPPROPRIATION OF PAY AND ALLOWANCE THROUGH FRAUDULENT MALPRACTICES

The Accountant of the DAP had booked pay and allowances amounting to Nu.0.071 million during the financial year 2017-2018 against ghost employees or those on extra ordinary leave. In addition, there were also cases of excess booking of salary against some officials.

Scrutiny of salary disbursement sent to the BOBL, Phuentsholing against the actual deposit into the employees' saving accounts revealed that the amounts were not deposited in their bank accounts but were found deposited into his personal saving account and into the saving account of his daughter, who was listed as a teacher of Chongaykha Community Primary School. An employee named Dawa Gyeltshen was included in the pay bill and booked salary as Caretaker of Chongaykha CPS for 4 months from July to Oct 2017, but the employee did not exist as confirmed by the Dungkhag Education Section and the Administration Section.

The lapses had occurred mainly due to poor supervision and weak internal controls. The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 43; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

Status: *Observation not settled. Administrative action needs to be taken against the accountable persons.*

1.27. BOOKING OF EXCESS ALLOWANCE FOR PERSONAL GAIN

The Accountant of the DAP had booked excess allowances amounting to Nu.0.048 million against two teachers from Darla MSS and Lokchina LSS during the financial year 2015-2016. However, the amount was deposited into the Accountant's personal savings account. The lapses had occurred mainly due to poor supervision and weak internal controls. The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 33; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled. Administrative action needs to be taken against the accountable persons.*

1.28. INADMISSIBLE BOOKING OF LTC/LE AND MISAPPROPRIATION

The Accountant of DAP had misappropriated Nu.0.045 million by booking Nu.0.015 million as LTC and Nu.0.030 million as Leave Encashment against a teacher of Darla MSS who was on extraordinary leave. The amount was found deposited into his daughter's saving account. The lapses had occurred mainly due to poor supervision and weak internal controls. The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 18; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled.*

1.29. IRREGULAR PAYMENT OF LEAVE ENCASHMENT AND MISAPPROPRIATION

- i. The Accountant of the DAP had paid Nu.0.019 million to a teacher of Pachu Central School on account of leave encashment for the financial 2016-2017. However, the teacher did not have enough leave balance and hence was not entitled to the allowance.
- ii. Similarly, the Accountant had misappropriated Nu.0.014 million pertaining to Primary Education under the Dungkhag by booking LTC and Leave Encashment in excess of their entitled amount.

The amount was found deposited into his personal savings account. The lapses had occurred mainly due to poor supervision and weak internal controls. The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 14 & 17; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: a) Karma Rinchen, Sr. Drungpa, EID # 9308053; b) Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled. Administrative action needs to be taken against the accountable persons.*

2. Non-compliance to Laws and Rules - Nu.0.665 million

There were cases of non-compliance to laws and rules involving Nu.0.665 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Doubtful payment of refundable deposit to contractor	0.396	-	0.396
2.2	Cash payment without acknowledgement receipts	0.269	-	0.269
2.3	Execution of sub-standard work	-	-	Unsettled
2.4	Non-closing of Closed Work Account	-	-	Unsettled
2.5	Booking of expenditure before completion of work and lapses thereof	-	-	Unsettled
	Total	0.665	-	0.665

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

2.1. DOUBTFUL PAYMENT OF REFUNDABLE DEPOSIT TO CONTRACTOR - NU.0.396 MILLION

The DAP had a case of doubtful payment of refundable deposit to contractor amounting to Nu.0.396 million. Mjs Tshering Construction had requested for the refund of security deposit on 27 March 2017 and a sum of Nu.0.396 million was found paid to the contractor on 7 August 2017 as refund of 50% security deposit.

However, there was neither an acknowledgement receipt attached with the voucher nor the details of equivalent releases obtained from the DPA. Further, Nu.0.036 million was found wrongly booked under object code 21.03 'Current grant: Rural life Insurance Scheme'. *AIN: 15334; Para: 47; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

Status: *Observation not settled.*

2.2. CASH PAYMENT WITHOUT ACKNOWLEDGEMENT RECEIPTS - NU.0.269 MILLION

The Accountant of the DAP had made cash payments aggregating to Nu.0.269 million on account of remittances of statutory deductions and deposit of refundable deposits. Amount of Nu.0.217 million pertained to deposit into Refundable deposit account and Nu.0.052 million pertained to remittances to RRCO, Phuentsholing but the payments were not supported by acknowledgement receipts from bank to authenticate the payments. The lapses had occurred mainly due to lack of integrity, poor supervision and weak internal control system. *AIN: 15334; Para: 36; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled.*

2.3. EXECUTION OF SUB-STANDARD WORK

- a) The Dzongkhag Administration, Chhukha had accepted sub-standard work executed by Mjs Good Will Construction, Chhukha in the construction of Irrigation Channel at Druk Dingsa, Pangu, and Ngaglachong under Dungna Gewog. The HDPE pipes were not found laid properly at various places, leading to damages at various joints. The lapses had occurred due to lack of proper monitoring and supervision by the site engineer at the time of execution of work leading to sub-standard works and not achieving the intended objective. *AIN: 15357; Para: 1.3; Accountabilities: Direct: Kezang Tobgay, Asst. Dzongkhag Engineer, EID # 20150105064; Supervisory: Tshering Chopel, Dzongkhag Engineer, EID # 8808013.*

Status: *The observation was settled as the substandard work had been rectified as per the letter No. CDA/DES-07/2019-2020/9082 dated 21.4.2020.*

- b) The Dzongkhag Administration, Chhukha had accepted sub-standard work executed by Mjs Zambala Construction, Sarpang in the re-construction and maintenance of Water Supply to Gedu Town. The excavation in foundation trenches and the construction of the distribution tank were not executed as per specification, thus leading to improper laying of HDPE pipes and substandard works. The joints of the HDPE pipes at various intervals and the distribution tank were found damaged and leaking, thus depriving the public of adequate water supply and aggravating the shortage of water. The lapses had occurred mainly due to inadequate monitoring and supervision at the time of execution coupled with lack of due diligence in discharging responsibility by the site engineer. *AIN: 15357; Para: 3.2; Accountabilities: Direct: Damchoe Dorji, Municipal Engineer, EID # 201101228; Supervisory: Tshering Chopel, Chief Dzongkhag Engineer, EID # 8808013.*

Status: *Observation not settled. Lapses action needs to be taken.*

2.4 NON-CLOSING OF CLOSED WORK ACCOUNT

The Dzungkhag Administration, Phuentsholing had failed to close the 'Closed Work Account' for fund balances pertaining to closed work booked in FY 2014-2015. The 'Closed Work Account' balance at the end of 2016-2017 was Nu.2.105 million of which Nu.1.661 million were incurred as expenditure in FY 2017-2018 leaving a balance of Nu.0.444 million. In addition, there were fund balance of

Nu.0.027 million from FY 2015-2016 and Nu.0.374 million and Nu.0.112 million brought forward from FY 2014-2015 bringing the total balance at the end of FY 2017-2018 to Nu.0.958 million.

The lapses had occurred due to failure on the part of Drungkhag Administration to settle the fund balances after the completion of work booked under closed work. *AIN: 15334; Para: 24; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: Observation not settled.

2.5. BOOKING OF EXPENDITURE BEFORE COMPLETION OF WORK AND LAPSES THEREOF

The DAP had booked expenditure on spillover construction activities towards the end of financial year 2016-2017 and had retained the funds in the form of demand drafts to prevent the lapse of the following funds:

Sl. No.	Name of Work	Name of Firm	Amt. Booked (Nu. in Million)
1.	Const. of Water supply, play field and approach road at khateykha PS	M/s Jang Choling Construction	1.177
2.	Const. of 64 bedded hostel and principal quarter at Sinchula PS	M/s Penden Lham Construction	2.613
3.	Const. of staff quarter at Lingdhen PS	M/s O Lays Construction	1.000
4.	Const. of six unit class room and pour flush toilet at Wangdigatsel PS	M/s Tandin Techno Construction	1.777
5.	Const. of staff qtr. At Khataykha	M/s ShingJogthang Construction	1.784

With regard to s/n 2, the contractor had completed the work and submitted the bills for Nu.2.173 million against which Nu.2.613 million had been paid. Thus, the contractor was either granted an undue favor of Nu.0.440 million in the form of payment without execution of work or cannot rule out the misuse of the differential amount by dealing officials. Similarly, with regard to s/n 4, the contractor had completed the work and submitted the bills for Nu.1.145 million against which Nu.1.778 million had been paid. Thus, the contractor was either granted an undue favor of Nu.0.633 million in the form of payment without execution of work or cannot rule out the misuse of the differential amount by dealing officials.

For s/n 1, 3 & 5, the works were still incomplete and the measurement books did not record the details of work done although the demand drafts were released to the contractors indicating undue financial favor being extended to the contractors. *AIN: 15334; Para: 25; Accountabilities: Direct: Basant Kumar Rai, JE, EID # 201310030; Chhimi Dorji, Accountant, EID # 9206009; Rupa Gurung, Engineer, EID # 200307012; Sonam Choden, Engineer, EID # 200407012; Yashoda Phuyel, Account Assistant, EID # 200507269; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

Status: Observation not settled.

3. Shortfalls, Lapses and Deficiencies - Nu.1.795 million

There were cases of shortfalls, lapses and deficiencies involving Nu.2.698 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1.1	Excess payment resulted due to non-deduction of cost of materials	0.928	-	0.928
3.1.2	Excess payment due to less execution of work	0.318	0.318	-
3.1.3	Over payment due to improper verification of work done	0.321	-	0.321
3.1.4	Excess payments due to less execution of work	0.220	0.220	-
3.1.5	Construction of sub-post and staff quarter at Metakha and excess payment thereof	0.044	0.044	-
3.2	Inadmissible payment of TA/DA to local government functionaries	0.291	0.291	-
3.3	Adjustment of advances without supporting documents	0.247	-	0.247
3.4.1	Outstanding Public Work Advances	0.161	0.030	0.131
3.4.2	Overdue Public Work Advances	0.130	-	0.130
3.5	Excess payments on procurement of laptop computers, furniture and equipment	0.038	-	0.038
	Total	2.698	0.903	1.795

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

3.1. EXCESS/OVER PAYMENTS TO CONTRACTORS

3.1.1 EXCESS PAYMENT DUE TO NON-DEDUCTION OF COST OF MATERIALS - NU.0.928 MILLION

The Dzongkhag Administration, Chhukha had made excess payment of Nu.1.309 million to M/s Good Will Construction in the construction of Irrigation Channel at Druk Dingsa, Pangu, and Ngaglachong under Dungna Gewog due to non-deduction of cost of materials.

Scrutiny of the final bill payment revealed that the Dzongkhag Administration had made total payments amounting to Nu.3.071 million for the procurement of HDPE pipes and sockets from M/s Bhutan Polythene Company and M/s Bhutan Plastic Industry, Phuentsholing, but had recovered/deducted only Nu.1.762 million, leaving a recoverable balance of Nu.1.309 million.

The lapses had occurred apparently due to negligence of the concerned Site Engineer and Supervising Engineer in verifying the claims and not deducting of the cost of materials from the RA bills as required. As of 31 March 2019, Nu.0.381 million was recovered and deposited into ARA leaving a balance of Nu.0.928 million. *AIN: 15357; Para: 1.1; Accountabilities: Direct: Kezang Tobgay, Asst. Dzongkhag Engineer, EID # 20150105064; Supervisory: Tshering Chopel, Dzongkhag Engineer, EID # 8808013.*

Status: Observation not settled.

3.1.2 EXCESS PAYMENT DUE TO LESS EXECUTION OF WORK – NU.0.318 MILLION

The Dzongkhag Administration, Chhukha had made excess payment of Nu.0.399 million to M/s Tshering Construction, Chhukha in the construction of kitchen cum Store and Multipurpose/Dining hall at Shemagangkha PS, Chapcha due to improper verification of work done. The contractor had claimed for quantities in excess of items of work actually executed at site with resultant excess payment. As of 31 March 2019, the recoverable amount stood at Nu.0.318 million. *AIN: 15357; Para: 2.1; Accountabilities: Direct: Sangay Wangmo, Asst. Engineer., EID # 2007079; Supervisory: Tshering*

Chophel, Dzongkhag Engineer, EID # 8808013.

Status: *The observation was settled as the amount of Nu.0.318 million had been deposited vide receipt No. 428727 dated 22.11.2019.*

3.1.3 OVER PAYMENT DUE TO IMPROPER VERIFICATION OF WORK DONE – NU.0.321 MILLION

The Dzongkhag Administration, Chhukha had made over payment of Nu.0.321 million to M/s Zambala Construction, Sarpang in the re-Construction and maintenance of Water Supply to Gedu Town due to improper verification of work done. The contractor had claimed for quantities in excess of items of work actually executed at site with resultant excess payment. The excess payment had occurred mainly due to failure of the site engineer to properly verify the contractor's claim in relation to drawings and actual work done at site and ensure the admissibility of contractor's claims. *AIN: 15357; Para: 3.1; Accountabilities: Direct: Damchoe Dorji, Municipal Engineer, EID # 201101228; Supervisory: Tshering Chophel, Chief Dzongkhag Engineer, EID # 8808013.*

Status: *Observation not settled.*

3.1.4. EXCESS PAYMENT DUE TO IMPROPER VERIFICATION OF WORK DONE – NU.0.220 MILLION

The Dzongkhag Administration, Chhukha had made excess payment of Nu.0.220 million to M/s Tshering Construction, Chukha in the construction of kitchen cum Store and Multipurpose/Dining hall at Shemagangkha PS, Chapcha due to improper verification of work done. The contractor had claimed for quantities in excess of items of work actually executed at site with resultant excess payment. *AIN: 15357; Para: 2.2; Accountabilities: Direct: Sangay Wangmo, Asst. Engineer., EID # 2007079; Lobzang Norbu, Asst. Engineer, EID # 201001968; Supervisory: Tshering Chophel, Chief Dzongkhag Engineer, EID # 8808013.*

Status: *The observation was settled as the amounts were deposited vide receipt No. 428816 dated 28.4.2020.*

3.1.5 CONSTRUCTION OF SUB-POST AND ITS STAFF QUARTER AT METAKHA AND EXCESS PAYMENT THEREOF – NU.0.044 MILLION

The Dzongkhag Administration, Chhukha had made excess payment of Nu.0.232 million to the contractor, M/s Layo Construction in the construction of Sub-post and sub-post staff quarter at Metakha. The contractor had claimed for quantities in excess of items of work actually executed at site with resultant excess payment. The lapses had occurred apparently due to lack of due diligence to ascertain the admissibility of the claims, which was further exacerbated by lack of supervisory and monitoring mechanism. As of 31 March 2019, Nu.0.188 million was recovered and deposited into ARA leaving a balance of Nu.0.044 million. *AIN: 15357; Para: 7; Accountabilities: Direct: Basant Kumar Rai, JE, EID # 20131003017; Supervisory: Tshering Chophel, Chief Dzongkhag Engineer, EID # 8808013.*

Status: *The observation was settled as the amount of Nu.0.036 million was adjusted vide letter No. RAA/OAAG-Pling/Chu-Dzo-A1/2019/174 dated 28.3.2019 and amount of Nu.0.096 million was recovered vide receipt No. 456680 dated 11.9.2019.*

3.2. INADMISSIBLE PAYMENT OF TA/DA TO LOCAL GOVERNMENT FUNCTIONARIES - NU.0.291 MILLION

The Dzongkhag Administration, Chhukha had made inadmissible payments amounting to Nu.0.315 million to local government functionaries on account of TA/DA for tours made for Rural Tax collections. The payments were in contravention with the Ministry of Finance's notification No. MoF.DNB/Rules-

2/2014-15/030 dated 18 July 2014 regarding the 'Revision of Allowances and Benefits' which states that local government functionaries are not entitled for TA/DA within their respective Gewog despite travel outside their own locality. As of 31 March 2019, Nu.0.024 million was recovered leaving a balance of Nu.0.291 million. *AIN: 15357; Para: 16; Accountabilities: Direct: Birkha Bdr. Limbu, Logchina Mangmi, CID No. 10209001594; Khandu Tshering, Bongo Gydrung, CID No. 10203005376; Gyem Lham, Samphelling Gewog Gydrung, CID No. 10401000081; Norbu Rinzin Geling Gewog Gydrung, CID No. 12007001524; Choki, Chapcha Gewog Gaydrung, CID No. 10204000401; Dorji Pem, Darla Gewog Gaydrung, CID No. 10205001998; Tshering Lhamo, Medtakha Gewog Gaydrung, CID No.10210000566; Leptang, Dungna Gewog Gaydrung, CID No.11603003940; Supervisory: Tshering Nidup, DT Chairperson/Bongo Gup, CID No. 10203002306.*

Status: *The observation was settled vide letter No. RAA/OAAG-Pling/Chu-Dzo-A1/2020/321 dated 25.6.2020 based on the decision of the 5th Follow up Committee meeting since the payment of TADA was discontinued for travel within the Gewog.*

3.3 ADJUSTMENT OF ADVANCES WITHOUT SUPPORTING DOCUMENTS - NU.0.247 MILLION

During financial year 2015-2016, the Dungkha Administration, Phuentsholing had adjusted outstanding PW Advances amounting to Nu.0.247 million without supporting documents. The lapses had occurred due to lack of proper segregation of duties in operation of PEMS. The Accountant had single handedly carried out preparation and approval of vouchers in the system that facilitated fabrication of records. *AIN: 15334; Para: 41; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled.*

3.3. OUTSTANDING ADVANCES

3.3.1 OUTSTANDING PUBLIC WORK ADVANCES - NU.0.131 MILLION

The Dungkha Administration, Phuentsholing had overdue outstanding Public Work Advances (PWA) amounting to Nu.0.161 million as on 30 June 2017. Advance amounting to Nu.0.030 million pertained to Cultural Officer as DSA for Dancers and Nu.0.130 million was found released to Chhimi Dorji, Accountant as advance for RIS. The lapses had occurred due to non-adherence to the provisions of FRR. *AIN: 15334; Para: 30; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Ugyen Choda, Cultural Officer, EID # 200905024; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

Status: *Observation partially settled. An amount of Nu.0.030 million has been deposited leaving a balance of Nu.0.131 million.*

3.3.2 OVERDUE PUBLIC WORK ADVANCE - NU.0.130 MILLION

The Dzongkhag Administration, Chhukha had overdue outstanding Public Work Advances (PWA) amounting to Nu.0.434 million. Some of the PW Advances were found carried forward from FY 2010-2011 when the records were migrated from Budget and Accounting System (BAS) to the current Public Expenditure Management System (PEMS).

The lapses had occurred due to failure on the part of the Dzongkhag Administration to follow-up with individuals concerned on time. As of 31 March 2019, Nu.0.304 million was recovered leaving a balance of Nu.0.130 million. *AIN: 15357; Para: 20; Accountabilities: Direct: Nim Zam, Accounts Officer, EID # 201101052; Supervisory: Bhim Raj Yogi, Sr. Finance Officer, EID # 200601030.*

Status: *Observation not settled.*

3.4. EXCESS PAYMENTS ON PROCUREMENT OF LAPTOP COMPUTERS, FURNITURE AND EQUIPMENT - NU.0.038 MILLION

The Dzungkhag Administration, Phuentsholing had made excess payments of Nu.0.048 million on the procurement of laptop computers, furniture and equipment. The lapses had occurred due to the failure of the dealing Accountant to check the bills properly before releasing payments to the suppliers. As of 31 March 2019, the unresolved amount stood at Nu.0.038 million. *AIN: 15334; Para: 22; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

Status: *Observation not settled.*

1.3.2.3 DZONGKHAG ADMINISTRATION, GASA

During the year, the RAA conducted two audits of Dzungkhag Administration, Gasa. There were 20 observations amounting to Nu.13.395 million of which seven observations amounting to Nu.7.544 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.5.851 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzungkhag Administration, observations amounting to Nu.0.461 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.5.390 million as summarised below.

Out of the total unresolved irregularities of Nu.5.390 million reported to the Parliament in June 2019, Nu.5.029 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzungkhag Administration. The unresolved significant irregularities amounting to Nu.0.361 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-Compliance to Laws and Rules	-	-	-	-
2	Shortfalls, Lapses and Deficiencies	5.390	5.029	0.361	93.30
	Total	5.390	5.029	0.361	93.30

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules as indicated below:

1.1. UNINSURED INFRASTRUCTURES AT TSACHU

The Dzungkhag Administration, Gasa had not insured the *Tshachhu* (hot spring) infrastructure/assets worth Nu.18.629 million restored and reconstructed over many years. The Tshachu's location on the banks of Mochhu is at high risk of damage by floods as observed from past flooding incidences. The restoration works are still in the process of improving the infrastructures.

Adequate insurance coverage of the infrastructures/assets could reduce the burden on the government in the event of similar mishaps. *AIN: 15682; Para: 11; Accountabilities: Direct: Choki, Dzongkhag Engineer, EID No. 200507217; Supervisory: Dorji Dhradhul, Dzongdag, EID No. 9209027.*

Status: *Observation not settled. Reminder send vide RAA/OAAG(T)FUS-01)2020-2021/0164 dated 07/9/2020.*

2. Shortfalls, Lapses and Deficiencies - Nu.0.361 million

There were cases of shortfalls, lapses and deficiencies involving Nu.5.390 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Inadmissible payment of difficulty allowance	2.640	2.640	-
2.2	Irregular payment of porter/pony	2.208	2.208	-
2.3	Double payment of TA/DA	0.326	0.101	0.225
2.4	Inadmissible payment of TA/DA and porter/pony during PHCB 2017	0.133	0.070	0.063
2.5	Excess payment of TA/DA and porter/pony	0.083	0.010	0.073
2.6	Non-reconciliation of employer's and employee's contribution	-	-	Unsettled
Total		5.390	5.029	0.361

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

2.1. INADMISSIBLE PAYMENT OF DIFFICULTY ALLOWANCE - NU.2.640 MILLION

The Dzongkhag Administration, Gasa had made inadmissible payment of Nu.2.640 million to 110 employees on account of Difficulty Allowance during financial year 2016-2017 despite the Dzongkhag Administration being connected with the Secondary National Highway. The Dzongkhag Administration had neither obtained regularisation of Dholam entitlement from the competent authority, nor had they revised the dholam entitlement after being connected with secondary national highway. *AIN: 15682; Para: 5; Accountabilities: Direct: Thinley Wangdi, DYT Chairman, CID No. 10402000127; Supervisory: Ugen Rinzin, DT Secretary, EID No. 9210008.*

Status: *The observation was settled as per the desion of the 5th Follow-up Committee Meeting (2020) held on 01.06.2020.*

2.2. IRREGULAR PAYMENT OF PORTER/PONY - NU.2.208 MILLION

The Dzongkhag Administration, Gasa had made irregular payment of Nu.2.208 million on account of porter/pony charges to officials for places connected by road networks and the Secondary National Highway in violation of the extant Financial Rules and Regulations and entitlements under travel rules. Further, in some cases the officials were paid porter/pony even when pool vehicles were utilized during the official tour which was not admissible. *AIN: 15682; Para: 6.1; Accountabilities: Direct: Refer Annexure given in audit report; Supervisory: Refer Annexure given in audit report.*

Status: *The observation was settled as per the desion of the 5th Follow-up Committee Meeting (2020) held on 01.06.2020.*

2.3. DOUBLE PAYMENT OF TA/DA - NU.0.326 MILLION

The Dzongkhag Administration, Gasa had made double payment of Nu.0.326 million on account of TA/DA. Some officials were found to have claimed TA/DA twice for the same tour/travel with resultant double claims. The double payment of TA/DA was indicative of lack of check and balance system in place like Travel Registers and not regulating the payment of porter/pony as per BCSR. *AIN: 15682; Para: 6.4; Accountabilities: Direct: Refer Annexure given in audit report; Supervisory: Refer Annexure given in audit report.*

Status: *Observation partially settled. A sum of Nu.0.101 million has been recovered leaving a balance of Nu.0.225 million.*

2.4. INADMISSIBLE PAYMENT OF TA/DA AND PORTER/PONY DURING PHCB 2017 - NU.0.133 MILLION

The Dzongkhag Administration, Gasa had made inadmissible payment of Nu.0.133 million on account of TA/DA and Porter/Pony during Second Population and Housing Census of Bhutan (PHCB) 2017. The officials were found to have claimed mileage despite using the pool vehicles and porter pony charges were also found paid irrespective of the places approved for Dholams by Dzongkhag Tshogdu. The lapses had occurred apparently due to non-compliance to directives of the Government and prevailing rules governing the payment. *AIN: 15682; Para: 6.2; Accountabilities: Direct: Refer Annexure given in audit report; Supervisory: Refer Annexure given in audit report.*

Status: *Observation partially settled. A sum of Nu.0.070 million has been recovered leaving a balance of Nu.0.063 million.*

2.5. EXCESS PAYMENT OF TA/DA AND PORTER/PONY - NU.0.083 MILLION

The Dzongkhag Administration, Gasa had made excess payment of Nu.0.083 million on account of TA/DA and Porter/Pony. Some officials were found to have claimed DA and porter/pony in excess of the actual number of days on tour. The lapses had occurred apparently due to non-compliance to directives of the Government and prevailing rules governing the payment of TA/DA. *AIN: 15682; Para: 6.3; Accountabilities: Direct: Refer Annexure given in audit report; Supervisory: Refer Annexure given in audit report.*

Status: *Observation partially settled. A sum of Nu.0.010 million has been recovered leaving a balance of Nu.0.073 million.*

2.6. NON-RECONCILIATION OF EMPLOYER'S AND EMPLOYEE'S CONTRIBUTION

The Dzongkhag Administration, Gasa had not reconciled the GPF contributions of employer and employees for the financial year 2016-2017 due to which payments from the employer's contribution was more than the employees' personal contribution by Nu.0.035 million. The lapses had occurred either due to non-remittance of employee's contributions or excess remittance of employer's contributions to provident fund account. *AIN: 15682; Para: 13; Accountabilities: Direct: Leki Wangchuk, Accounts Assistant, EID 20130802304; Supervisory: Karma, Finance Officer, EID No. 200407063.*

Status: *Observation not settled. Reminder send vide RAA/OAAG(T)FUS-01)2020-2021/0164 dated 07/9/2020.*

1.3.2.4 DZONGKHAG ADMINISTRATION, HAA

During the year, the RAA conducted one audit of the Dzongkhag Administration, Haa. There were 4 observations amounting to Nu.0.337 million of which one observation amounting to Nu.0.016 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.321 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.321 million as summarised below.

Out of the total unresolved irregularities of Nu.0.321 million reported to the Parliament in June 2019 the Dzongkhag Administration had not settled any irregularities. The unresolved significant irregularities amounting to Nu.0.321 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-Compliance to Laws and Rules	0.035	-	0.035	-
2	Shortfalls, Lapses and Deficiencies	0.286	-	0.286	-
	Total	0.321	-	0.321	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules - Nu.0.035 million

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

1.1. SHORT LEVY OF LIQUIDATED DAMAGES - NU.0.035 MILLION

The Dzongkhag Administration, Haa had short levied liquidated damages of Nu.0.035 million on Mjs Kuendrup Tsemkhang, Gelephu for failure to supply goods on stipulated time. *AIN: 15359; Para: 2; Accountabilities: Direct: Kirtiman Rai, Assistant Engineer, EID # 200307023; Supervisory: Tshewang Dem, Dy. Chief Budget Officer, EID # 200201016.*

Status: *Observation not settled.*

2. Shortfalls, Lapses and Deficiencies - Nu.0.286 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.286 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Excess payment due to wrong adjustment of running bills	0.230	-	0.230
2.2	Excess payments on providing and applying Bhutanese traditional paintings	0.056	-	0.056
	Total	0.286	-	0.286

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

2.1. EXCESS PAYMENT DUE TO WRONG ADJUSTMENT OF RUNNING BILLS - NU.0.230 MILLION

The Dzongkhag Administration, Haa had made excess payment of Nu.0.230 million to the contractor due to wrong adjustment of running bills for Providing Bhutanese Traditional paintings for newly constructed Dratsha at Lhaxhang Karpo Conservation project, Haa. The lapses had occurred due to lack of proper communication between the project management and the Accounts Section. *AIN: 15359; Para: 1.1; Accountabilities: Direct: Namgay Lhamo, Accountant, EID # 200907172; Supervisory: Tshewang Dem, Dy. Chief Budget Officer, EID # 200201016.*

Status: *Observation not settled.*

2.2. EXCESS PAYMENTS ON PROVIDING AND APPLYING BHUTANESE TRADITIONAL PAINTINGS - NU.0.056 MILLION

The Dzongkhag Administration, Haa had made excess payment of Nu.0.056 million to the contractor for items of work not executed while Providing Bhutanese Traditional paintings for newly constructed Dratsha at Lhaxhang Karpo Conservation project, Haa. M/s Gaa-Tyen Construction was paid for items of work in excess of quantities actually executed at site. The lapses had occurred apparently due to failure on the part of the site engineer to verify the contractor's bills properly based on actual works executed at site. *AIN: 15359; Para: 1.2; Accountabilities: Direct: Kirtiman Rai, Assistant Engineer, EID # 200307023; Supervisory: Tshewang Dem, Dy. Chief Budget Officer, EID # 200201016.*

Status: *Observation not settled.*

1.3.2.5 DZONGKHAG ADMINISTRATION, LHUENTSE

During the year, the RAA conducted two audits of the Dzongkhag Administration, Lhuentse. There were 3 observations amounting to Nu.0.409 million of which no observation was resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.409 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.409 million as summarised below.

Out of the total unresolved irregularities of Nu.0.409 million reported to the Parliament in June 2019 the Dzongkhag Administration had settled all the irregularities as on 30 Sept. 2020 as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Violation of Laws and Rules	0.031	0.031	-	100
2	Shortfalls, Lapses and Deficiencies	0.378	0.378	-	100
	Total	0.409	0.409	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which were settled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules involving Nu.0.031 million as summarized below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Non-declaration of House Rent Allowances during PIT filing	0.031	0.031	-
1.2	Delay in Major Renovation of Kawchung Lhakhang and liable LD	-	-	Settled
Total		0.031	0.031	-

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

1.1. NON-DECLARATION OF HOUSE RENT ALLOWANCES DURING PERSONAL INCOME TAX (PIT) FILING - NU.0.031 MILLION

The Dzongdag, Dzongkhag Administration, Lhuentse had not declared free accommodation provided by the Government and had not adhered to the Income Tax Act of the Kingdom of Bhutan, 2001 at the time of filing the Personal Income Tax (PIT) for Income Years 2016 and 2017. The Dzongkhag Administration had also short-deducted Tax Deducted at Source (TDS) by Nu.0.031 million.

As per provisions of the Income Tax Act of the Kingdom of Bhutan, 2001 100% free accommodations provided to Government officials is subject to Tax, since the equivalent amount of the free accommodation so provided is an income to the employee concerned. *AIN: 15458; Para: 3; Accountabilities: Direct: Jambay Wangchuk, Dzongdag, EID # 9101142; Supervisory: Jambay Wangchuk, Dzongdag, EID # 9101142.*

Status: *The observation was settled as the amount was deposited with RRCO, Mongar vide Receipt No. RC451879626331 dated 26/11/2018.*

1.2. DELAY IN MAJOR RENOVATION OF KAWCHUNG LHAKHANG AND LIABLE LIQUIDATED DAMAGES THEREOF

The Dzongkhag Administration, Lhuentse had delays in the completion of Kawchung Lhakhang under Gangzur Gewog due to non-conduct of adequate consultation with stakeholders prior to the commencement of renovation works. The construction which was due for completion on 28 August 2017 had remained incomplete even after more than nine months at the time of audit in May 2018. The contractor was also liable for maximum liquidated damages of 10%.

The changes in designs led to significant changes in scope of works which caused delays and in the process there were damages to the walls, woodworks, old structure and statues in the Lhakhang from water seepage due to the structure being left without a roof, exposed to rain. *AIN: 15458; Para: 1; Accountabilities: Direct: Singay Dorji, AE, EID # 200607206, Name of Contractor: Sonam Gyeltshen, CDB # 6375; Supervisory Accountability: Kelzang Lhundup, DE, EID # 9707074.*

Status: *The observation was settled during the visit of the Hon'ble Auditor General to the Lhuentse Dzongkhag & Gewogs on 28/10/2019 based on the justification submitted by the Dzongkhag & Gewog.*

2. Shortfalls, Lapses and Deficiencies

There was a case of shortfalls, lapses and deficiencies amounting to Nu.0.378 million as indicated below:

2.1 EXCESS PAYMENT OF SALARY AND GPF DUE TO INADMISSIBLE GRANTING OF INCREMENT TO FRESH APPOINTEES ON PAY REVISION - NU.0.378 MILLION

Chapter 11, Clause 11.3.1 of BCSR 2012 states, "The basic pay of a civil servant on initial appointment shall be fixed at the minimum of the scale". Further, Clause 11.4.4.1 states "A civil servant shall receive the increment on 1 January or 1 July upon serving a minimum of 12 months". Contrary to the above clause, the basic pay of the officials, on pay revision, were fixed after adding one annual increment to the basic pay of the initial appointment year, which had resulted in payment of two increments within 12 months. This had resulted in excess payment of salary amounting to Nu.0.378 million. *AIN: 15458; Para: 2; Accountabilities: Direct: Pema Wangchuk, Asstt. Accounts Officer, EID # 20130101092; Supervisory Accountability: Lamdra Wangdi, Dzongrab, EID # 9507335.*

Status: *The observation was settled based on the clarification obtained from DNB, MoF that the pay fixation was as per the pay revision notification 2014 schedule-III of the Budget Specialist and as per the decision of the 2nd Follow-up Committee Meeting held on 05/04/2019.*

1.3.2.6 DZONGKHAG ADMINISTRATION, MONGGAR

During the year, the RAA conducted three audits of Dzongkhag Administration, Monggar. There were 39 observations amounting to Nu.6.864 million of which seven observations amounting to Nu.0.101 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.6.763 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.646 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.6.117 million as summarised below.

Out of the total unresolved irregularities of Nu.6.117 million reported to the Parliament in June 2019, Nu.4.278 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzongkhag Administration. The unresolved significant irregularities amounting to Nu.1.839 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	3.449	2.414	1.035	69.99
2	Shortfalls, Lapses and Deficiencies	2.668	1.864	0.804	69.87
	Total	6.117	4.278	1.839	69.94

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules - Nu.1.035 million

There were cases of non-compliance to laws and rules involving Nu.3.449 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Less payment of salary and GPF due to wrong pay fixation on promotion and pay revision	0.981	0.981	-
1.2	Delay in Construction of Sub-post, Staff Quarter and Toilet and applicable Liquidated Damages	0.678	-	0.678
1.3	Full payment of salary and voucher allowances to the local government functionaries	0.657	0.657	-
1.4	Delay in Supply and Installation of Steel Tanks with GI Pipes and fittings and non-levy of liquidated damages	0.357	-	0.357
1.5	Non-levy of liquidated damages	0.207	0.207	-
1.6	Less recovery of cost of rectification from the	0.159	0.159	-
1.7	Full payment of travel allowance for local government functionaries	0.158	0.158	-
1.8	Inadmissible granting of time extension and non-levy of liquidated damages	0.129	0.129	-
1.9	Less payment of salary and GPF due to non-granting of annual increment timely	0.049	0.049	-
1.10	Excess payment of DSA for short term training at Pune, India	0.042	0.042	-
1.11	Inadmissible payment of telephone post-paid bills	0.032	0.032	-
1.12	Execution of substandard works	-	-	Settled
	Total	3.449	2.414	1.035

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

1.1. LESS PAYMENT OF SALARY AND GPF DUE TO WRONG PAY FIXATION ON PROMOTION AND PAY REVISION - NU.0.981 MILLION

The Dzongkhag Administration, Monggar had made less/short payment of salary and GPF amounting to Nu.0.981 million to officials due to wrong pay fixation on promotion and pay revision. When the date of promotion and pay revision fell on the same date, the Dzongkhag HR Section had first fixed the pay on revision and then for promotion which resulted in less payment of salary and GPF to officials. *AIN: 15672; Para: 18; Accountabilities: Direct: Refer the Accountability Statements List in audit report; Supervisory: Kuenzang Dorji, HRO, EID # 20150104988.*

Status: *The observation was settled as the observation pertained to less payment to the staff which was not recoverable as verified by the subsequent audit team.*

1.2. DELAY IN CONSTRUCTION OF SUB-POST, STAFF QUARTER AND TOILET AND APPLICABLE LIQUIDATED DAMAGES - NU.0.678 MILLION

The Dzongkhag Administration, Monggar had not levied liquidated damages amounting to Nu.0.678 million on M/s Zangchong Construction, Zhemgang for delay in completion of construction of Sub-

post, Staff Quarter and Toilet at Silambi. The scheduled date of completion was 8 October 2016, but the work was not completed even at the time of audit in March 2018. The contractor was liable for the maximum liquidated damages of 10% on the contract price of Nu.6.782 million. The lapse had occurred due to certifying the work as complete without actual completion by the site engineer. *AIN: 15672; Para: 7; Accountabilities: Direct: Padam Bdr Rai, AE, EID # 20120100121; M/s Zangchong Const, Contractor, CDB #7644; Supervisory: Sonam Tashi, DE, EID # 200801079.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/823 dated 20/08/2019.*

1.3. FULL PAYMENT OF SALARY AND VOUCHER ALLOWANCES TO THE LOCAL GOVERNMENT FUNCTIONARIES - NU.0.657 MILLION

The Dzongkhag Administration, Monggar had paid full salaries and voucher allowances for the month of October 2016 to all the newly elected Local Government (LG) members. However, LG Members were administered the 'Oath or Affirmation' on 18 October 2016 and then officially declared as the newly elected LG functionaries by the ECB. The pay for a duration of seventeen days were not found admissible. *AIN: 15672; Para: 21.1; Accountabilities: Direct: Refer the Accountability Statements List in audit report; Supervisory: Karma Sonam Wangchuk, DT Chairman, CID # 10716002494.*

Status: *The observation was settled as the amount of Nu.0.657 million was deposited vide R/No.469562 & R/No.469564 dated 13/09/2019.*

1.4. DELAY IN SUPPLY AND INSTALLATION OF STEEL TANKS WITH GI PIPES AND FITTINGS AND NON-LEVY OF LIQUIDATED DAMAGES - NU.0.357 MILLION

The Dzongkhag Administration, Monggar had not levied liquidated damages amounting to Nu.0.357 million on M/s Mawongpa Water Solution, Thimphu for delay in 'Supply and Installation of Steel Tanks with GI Pipes and fittings complete' at Gorbaktang, Dedrang and Royal Guest House. The time extension requested by the contractor did not cite reasons for which the time extension was required. In addition, the contractor was found awarded additional work of supplying and fixing of additional steel tank. The Dzongkhag reported that the main hindrance was the delay in handing over of site by the previous contractor, M/s Tshoki Construction, Thimphu. *AIN: 15672; Para: 4; Accountabilities: Direct: Tshering Phuntsho, AE, EID # 9507035; M/s Mawongpa Water Solution, Thimphu, Licence # 1002200; Supervisory Accountability: Sonam Tashi, DE, EID # 200801079.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/823 dated 20/08/2019.*

1.5. NON-LEVY OF LIQUIDATED DAMAGES - NU.0.207 MILLION

The Dzongkhag Administration, Monggar had not levied liquidated damages of Nu.0.207 million on suppliers for delay in supply of goods including furniture, computers and stationery, during the financial year 2016-2017. The lapses had apparently occurred due to non-enforcement of penalty clause as per the terms and conditions of the supply order. *AIN: 15672; Para: 29; Accountabilities: Direct: Please refer Accountability statement in audit report; Supervisory: Please refer Accountability statement in audit report.*

Status: *The observation was settled as the amount was deposited vide R/No.429708 dated 15/05/2020.*

1.6. LESS RECOVERY OF COST OF RECTIFICATION FROM THE CONTRACTOR - NU.0.159 MILLION

The Dzongkhag Administration, Monggar had short recovered Nu.0.159 million from M/s Tshoki Construction, Thimphu for defective works noted in the Rehabilitation of Town's Main Line Water Supply from Yakpogang to Kadam Reservoir Tank and Pumping of water from Gangola. The Dzongkhag Administration had recovered Nu.0.094 million against the total expenditure of Nu.0.253 million incurred for the actual rectifications with resultant less recovery of Nu.0.159 million. *AIN: 15672; Para: 4; Accountabilities: Direct: Kiba Wangchuk, AE, EID # 200307008; M/s Tshoki Construction, Thimphu, CDB # 2469; Supervisory Accountability: Sonam Tashi, DE, EID # 200801079.*

Status: *The observation was settled based on the letter No.MD/DES-26/2019/7666 dated 28/03/2019 of Mongar Dzongkhag.*

1.7. FULL PAYMENT OF TRAVEL ALLOWANCE FOR LOCAL GOVERNMENT FUNCTIONARIES - NU.0.158 MILLION

The Dzongkhag Administration, Monggar had paid full allowances to newly elected local functionaries for the whole year although Local Government functionaries who were administered the 'Oath or Affirmation' and officially declared as the newly elected LG functionaries by the ECB only on 18 October 2016. The allowances for three months from July to September 2016 were found inadmissible. *AIN: 15672; Para: 21.2; Accountabilities: Direct: Refer the Accountability Statements List in audit report; Supervisory: Karma Sonam Wangchuk, DT Chairman, CID # 10716002494.*

Status: *The observation was settled as the amount was deposited vide R/No.469562 & R/No.469564 dated 13/09/2019.*

1.8. INADMISSIBLE GRANTING OF TIME EXTENSION AND NON-LEVY OF LIQUIDATED DAMAGES - NU.0.129 MILLION

The Dzongkhag Administration, Monggar had granted inadmissible time extension to M/s Yongphel Builder, Monggar for construction of Kitchen cum Store at Kidheykhar Middle Secondary School. The time extension of two months was found requested by the Dzongkhag Education Sector instead of the contractor and the reasons stated were lack of funds to complete the works during financial year 2015-2016 and non-availability of the skilled labour for fitting GRC frames which were found inadmissible. Liquidated damages amounting to Nu.0.129 million for the delay was not levied. *AIN: 15672; Para: 3; Accountabilities: Direct: Thinley, AE, EID # 200207108; M/s Yongphel Builder, Contractor, CDB # 3531; Supervisory: Sonam Tashi, DE, EID #200801079.*

Status: *The observation was settled based on the justification furnished by the Dzongkhag vide letter No.MD/EDN/Audit-34/2018/7590 dated 13/02/2019.*

1.9. LESS PAYMENT OF SALARY AND GPF DUE TO NON-GRANTING OF ANNUAL INCREMENT TIMELY - NU.0.049 MILLION

The Dzongkhag Administration, Monggar had made less payment of salary and GPF amounting to Nu.0.049 million to officials due to non-granting of timely annual increment at the time of pay fixation. The lapses had occurred apparently due to negligence of officials responsible for pay fixation that had resulted in less payment. *AIN: 15672; Para: 17; Accountabilities: Direct: Refer the Accountability Statements List in audit report; Supervisory: Kuenzang Dorji, HRO, EID # 20150104988.*

Status: *The observation was settled as the observation pertained to less payment to the staff which was not recoverable as verified by the subsequent audit team.*

1.10. EXCESS PAYMENT OF DSA FOR SHORT-TERM TRAINING - NU.0.042 MILLION

The Dzongkhag Administration, Monggar had made excess payment of Nu.0.042 million on account of DSA for short-term training at Pune, India during the financial year 2016-2017. The Accounts Personnel who underwent the training had claimed ex-country DSA at the rate of Nu.3,500.00 per day instead of Nu.2,000.00 per day with resultant excess payment. The lapses had occurred apparently due to lack of due diligence in application of applicable rates. *AIN: 15672; Para: 30; Accountabilities: Direct: Ugyen Wangchuk, Accountant, EID # 10709000176; Sonam Dema, Accountant, EID # 201007184; Supervisory: Tshering Yangdon, AAO, EID # 20170107815.*

Status: *The observation was settled as the amount was deposited R/No.428577 dated 20/05/2019.*

1.11. INADMISSIBLE PAYMENT OF TELEPHONE POST-PAID BILLS - NU.0.032 MILLION

The Dzongkhag Administration, Monggar had made inadmissible payment of Nu.0.032 million to Bhutan Telecom on account of post-paid telephone bills. Since the local government functionaries are paid monthly voucher allowance, the payment of post-paid bills was found un-reasonable and not legitimate. The lapses had occurred apparently due to unclear rules pertaining to admissibility of usage of telephone with the SIM facilities in places where there is non-availability of landline facilities. *AIN: 15672; Para: 22; Accountabilities: Direct: Sangay Dorji, GAO, EID # 200705048; Tandin Tshewang, Ex-Gup, CID # 10702000547; Tshering Dema, GAO, CID # 11502002121; Kinzang Tshering, GAO, CID # 10705000961; Tandin Wangchuk, GAO, CID # 1070500381; Supervisory: Karma Sonam Wangchuk, Trizin, CID # 10716002494.*

Status: *The observation was settled based on the clarification of the Ministry of Finance vide letter No. MoF/DNB/Rules/2019/538 dated 29/03/2019.*

1.12. EXECUTION OF SUBSTANDARD WORKS (4.4.30)

The Dzongkhag Administration, Monggar had accepted substandard work executed in the construction of RNR Centre and Three Units Staff Quarter at Tsakaling Gewog. The walls were not aligned properly and while some walls were found bent inward, some walls were bulging out. Cracks had also developed on the joist due to use of unseasoned timber. The defective works and poor workmanship was indicative of inadequate supervision and monitoring by the concerned site engineer at the time of execution. *AIN: 15672; Para: 9.4; Accountabilities: Direct: Sunita Rai, AE, EID # 20120100129; M/s Yeshi Construction, Thimphu, CDB # 2953; Supervisory: Sonam Tashi, DE, EID # 200801079.*

Status: *The observation was settled based on the rectification report submitted vide letter No.MD/DES-26/2019/2806 dated 13/09/2019.*

2. Shortfalls, Lapses and Deficiencies – Nu.0.804 million

There were cases of shortfalls, lapses and deficiencies involving Nu.2.668 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1.1	Excess payment of salary and GPF due to wrong fixation of pay on revision	0.722	0.722	-

2.1.2	Excess payment of salary and GPF due to wrong fixation of pay on promotion and revision	0.270	0.270	-
2.1.3	Inadmissible payment of leave encashment during probation	0.172	0.172	-
2.1.4	Excess payment of salary and GPF due to wrong fixation of pay on promotion	0.076	0.076	-
2.1.5	Excess payment of salary and GPF due to granting of inadmissible of increment	0.048	0.048	-
2.1.6	Excess payment of salary and GPF due to wrong fixation of pay on revision	0.047	0.047	-
2.2	Non-rectification of damaged structure	0.601	-	0.601
2.3.1	Excess payment for RRM wall in site development works	0.209	0.209	-
2.3.2	Excess payment for the RRM walls	0.129	-	0.129
2.3.3	Excess payment to contractor due to non-deduction of RCC beams from RRM wall in superstructure	0.108	0.108	-
2.3.4	Excess payment for RRM wall for site development	0.083	0.083	-
2.3.5	Excess payment due to non-deduction of RCC beams in construction of RRM wall	0.074	-	0.074
2.3.6	Excess payment due to non-deduction for RCC beams from RRM wall	0.069	0.069	-
2.4	Outstanding Public Work Advances	0.060	0.060	-
2.5	Non-reconciliation of overall budgetary funds releases and expenditures	-	-	Settled
2.6	Audit clearance certificate not obtained for availing short-term trainings	-	-	Settled
	Total	2.668	1.864	0.804

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

2.1 EXCESS PAYMENTS TO EMPLOYEES

2.1.1 EXCESS PAYMENT OF SALARY AND GPF DUE TO WRONG FIXATION OF PAY ON REVISION - NU.0.722 MILLION

The Dzongkhag Administration, Monggar had made excess payment amounting to Nu.0.722 million on account of salary and GPF due to wrong fixation of pay on revision in contravention to the BCSR. The Dzongkhag Administration had fixed the basic pay of the officials after adding one annual increment at the time of pay revision which resulted in the excess payment of salary amounting to Nu.0.651 million. In addition, the officials were also found paid excess GPF amounting to Nu.0.071 million. *AIN: 15672; Para: 10; Accountabilities: Direct: As in the statement (Annexure I) in Audit Report; Supervisory: Kuenzang Dorji, HRO, EID # 20150104988.*

Status: *The observation was settled based on the clarification obtained from DNB, MoF that the pay fixation was as per the pay revision notification 2014 schedule-III of the Budget Specialist which was endorsed by the 2nd Follow-up Committee Meeting held on 05/04/2019.*

2.1.2 EXCESS PAYMENT OF SALARY AND GPF DUE TO WRONG FIXATION OF PAY ON PROMOTION AND REVISION - NU.0.270 MILLION

The Dzongkhag Administration, Monggar had made excess payment amounting to Nu.0.270 million on

account of salary and GPF due to wrong fixation of pay on promotion and revision in contravention to the BCSR. *AIN: 15672; Para: 15; Accountabilities: Direct: Refer the Accountability Statements List; Supervisory: Kuenzang Dorji, HRO, EID # 20150104988.*

Status: *The observation was settled as the amounts was deposited vide R/No.469543 & R/No.469548 dated 13/09/2019.*

2.1.3 INADMISSIBLE PAYMENT OF LEAVE ENCASHMENT DURING PROBATION - NU.0.172 MILLION

The Dzongkhag Administration, Monggar had made inadmissible payment of Leave Encashment during probation amounting to Nu.0.172 million in contravention to BCSR, which stipulates as 'A civil servant shall earn leave with gross pay at the rate of 2.5 (two and half) days for every completed month of service, except during the probation period'. *AIN: 15672; Para: 20; Accountabilities: Direct: Refer the Accountability Statements List; Supervisory: Kuenzang Dorji, HRO, EID # 20150104988.*

Status: *The observation was settled as the amount was deposited vide R/No.429618 dated 26/11/19 & R/No.429639 dated 30/12/2019.*

2.1.4 EXCESS PAYMENT OF SALARY AND GPF DUE TO WRONG FIXATION OF PAY ON PROMOTION - NU.0.076 MILLION

The Dzongkhag Administration, Monggar had made excess payment amounting to Nu.0.076 million on account of salary and GPF due to wrong fixation of pay on promotion in contravention to the BCSR. The lapses had occurred apparently due to the HR section's failure to fix the salary on promotion in accordance with BCSR. *AIN: 15672; Para: 14; Accountabilities: Direct: Refer the Accountability Statements List; Supervisory: Kuenzang Dorji, HRO, EID # 20150104988.*

Status: *The observation was settled as the amount was deposited vide R/No.469544 dated 13/09/19.*

2.1.5 EXCESS PAYMENT OF SALARY AND GPF DUE TO GRANTING OF INADMISSIBLE INCREMENT - NU.0.048 MILLION

The Dzongkhag Administration, Monggar had made excess payment amounting to Nu.0.048 million on account of salary and GPF due to granting of inadmissible increment at the time of pay fixation. *AIN: 15672; Para: 16; Accountabilities: Direct: Refer the Accountability Statements List; Supervisory: Kuenzang Dorji, HRO, EID # 20150104988.*

Status: *The observation was settled as the amount was deposited vide R/No.469545 dated 13/09/19.*

2.1.6 EXCESS PAYMENT OF SALARY AND GPF DUE TO WRONG FIXATION OF PAY ON REVISION - NU.0.047 MILLION

The Dzongkhag Administration, Monggar had made excess payment amounting to Nu.0.047 million on account of salary and GPF due to wrong fixation of pay on revision in contravention to the BCSR. The lapses had occurred apparently due to negligence of the concerned HRO. The HR section had failed to fix the salary on revision in accordance with the guidelines provided by the MoF. *AIN: 15672; Para: 13; Accountabilities: Direct: Please refer the Accountability Statements List in audit report; Supervisory: Kuenzang Dorji, HRO, EID # 20150104988.*

Status: *The observation was settled as the amount was deposited vide R/No.469580 dated 07/10/19.*

2.2. NON-RECTIFICATION OF DAMAGED STRUCTURE - NU.0.601 MILLION

The Dzongkhag Administration, Monggar had not instructed M/s Sonam Lhamo Construction, Monggar to rectify damaged wall measuring 25 meters costing Nu.0.601 million in the construction of Retaining Wall at Silambi Pry School. It had remained unrectified as of date of audit. *AIN: 15672; Para: 6.1; Accountabilities: Direct: Padam Bdr Rai, AE, EID #20120100121; M/s Sonam Lhamo Construction, CDB #3408; Supervisory: Sonam Tashi, DE, EID #200801079.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/823 dated 20/08/2019.*

2.3. EXCESS PAYMENTS TO CONTRACTORS

2.3.1 EXCESS PAYMENT FOR RRM WALL IN SITE DEVELOPMENT WORKS - NU.0.209 MILLION

The Dzongkhag Administration, Monggar had made excess payment of Nu.0.209 million to M/s Yeshe Construction, Thimphu for RRM wall in site development works in the construction of RNR Centre and 3-Unit Staff Quarter at Tsakaling Gewog. The excess payment had occurred due to difference in the quantities of works executed as against the quantities as per the average standard base width. *AIN: 15672; Para: 9.1; Accountabilities: Direct: Sunita Rai, AE, EID #20120100129; M/s Yeshe Construction, Thimphu, CDB # 2953; Supervisory: Sonam Tashi, DE, EID #200801079.*

Status: *The observation was settled based on the justifications provided by the Dzongkhag vide letter No.MD/DES-26/2019/2806 dated 13/09/2019 and verification conducted by auditors.*

2.3.2 EXCESS PAYMENT FOR THE RRM WALLS - NU.0.129 MILLION

The Dzongkhag Administration, Monggar had made excess payment of Nu.0.129 million to the contractor due to improper measurements in the site development works of RRM walls in the construction of 3-unit RNR staff quarter at Shermuhung Gewog. *AIN: 15672; Para: 1.2; Accountabilities: Direct: Prem Bdr Ghalley, DE, EID # 20120100121; M/s Sonam Chopel Construction (CDB # 3531); Supervisory: Sonam Tashi, DE, EID # 200801079.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/823 dated 20/08/2019.*

2.3.3 EXCESS PAYMENT TO CONTRACTOR DUE TO NON-DEDUCTION OF RCC BEAMS FROM RRM WALL IN SUPERSTRUCTURE – NU.0.108 MILLION

The Dzongkhag Administration, Monggar had made excess payment of Nu.0.108 million to M/s Yeshe Construction, Thimphu due to non-deduction of RCC beams from RRM Wall in superstructure in the construction of RNR Centre and 3-Unit Staff Quarter at Tsakaling Gewog. *AIN: 15672; Para: 9.2; Accountabilities: Direct: Sunita Rai, AE, EID # 20120100129; M/s Yeshe Construction, Thimphu, CDB # 2953; Supervisory: Sonam Tashi, DE, EID # 200801079.*

Status: *The observation was settled as per the justifications provided by the Dzongkhag vide letter No.MD/DES-26/2019/2806 dated 13/09/2019 and verification conducted by auditors.*

2.3.4 EXCESS PAYMENT FOR RRM WALL FOR SITE DEVELOPMENT – NU.0.083 MILLION

The Dzongkhag Administration, Monggar had made excess payment of Nu.0.083 million to the contractor for RRM wall in the construction of Sub-post, Staff Quarter and Toilet at Takhambi BHU under Tsakaling Gewog. The contractor was found paid for quantities in excess of quantities actually

executed at site. *AIN: 15672; Para: 2.2; Accountabilities: Direct: Sunita Rai, AE, EID # 20120100129; Supervisory: Sonam Tashi, DE, EID # 200801079.*

Status: *The observation was settled as per justifications provided by the Dzongkhag vide letter No.MD/DES-26/2019/2806 dated 13/09/2019 and verification conducted by auditors.*

2.3.5 EXCESS PAYMENT DUE TO NON-DEDUCTION OF RCC BEAMS IN CONSTRUCTION OF RRM WALL – NU.0.074 MILLION

The Dzongkhag Administration, Monggar had made excess payment of Nu.0.074 million due to non-deduction of RCC beams in construction of RRM wall in the construction of 3-unit RNR staff Quarter. M/s Mekham Dorji Construction, Thimphu was found paid for quantities in excess of quantities actually executed at site. The lapses had occurred apparently due to failure of the site engineer to exercise due diligence while passing the contractor's claims. *AIN: 15672; Para: 8; Accountabilities: Direct: Karma Wangmo, AE, EID # 20120100117; M/s Mekham Dorji Const, Contractor, CDB #2031; Supervisory: Sonam Tashi, DE, EID # 200801079.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/823 dated 20/08/2019.*

2.3.6 EXCESS PAYMENT DUE TO NON-DEDUCTION FOR RCC BEAMS FROM RRM WALL - NU.0.069 MILLION

The Dzongkhag Administration, Monggar had made excess payment of Nu.0.069 million to the contractor due to non-deduction for RCC Beams from RRM wall in the construction of Sub-post, Staff Quarter and Toilet at Takhambi BHU under Tsakaling Gewog. The site engineer had failed to deduct the quantity of RCC beam from the RRM wall in superstructure with resultant excess payment. *AIN: 15672; Para: 2.1; Accountabilities: Direct: Sunita Rai, AE, EID # 20120100129; M/s. Aaja Construction, Monggar, CDB # 3531; Supervisory: Sonam Tashi, DE, EID # 200801079.*

Status: *The observation was settled based on the justifications provided by the Dzongkhag vide letter No.MD/DES-26/2019/2806 dated 13/09/2019 and review conducted by auditors.*

2.4. OUTSTANDING PUBLIC WORK ADVANCES – NU.0.060 MILLION

The Dzongkhag Administration, Monggar had overdue outstanding Public Work Advances amounting to Nu.0.060 million for the fiscal year ended 30 June 2017. Amount of Nu.0.020 million pertained to advance for semso contributions and Nu.0.040 million pertained to advance for the procurement of electrical items during Gyelposhing Mela. The non-liquidation of advances even after completion of works was in deviation to the provisions of the FRR. *AIN: 15672; Para: 24; Accountabilities: Direct: Sangay Thinley, AFO, EID # 20140103320; Supervisory: Jamyang Cheda, Dzongrab, EID # 9507323.*

Status: *The observation was settled based on the letter No.MD/GAT/20/2019/2210 dated 18/03/2019 as the amount was surrendered to the DPA, MoF.*

2.5. NON-RECONCILIATION OF OVERALL BUDGETARY FUNDS RELEASES AND EXPENDITURES

The Dzongkhag Administration, Monggar had not reconciled the overall budgetary fund releases and expenditure which resulted in un-reconciled difference of Nu.0.559 million for the year ended 30 June 2017. *AIN: 15672; Para: 23; Accountabilities: Direct: Sangay Thinley, AFO, EID # 20140103320; Supervisory: Jamyang Cheda, Dzongrab, EID # 9507323.*

Status: *The observation was settled as per letter No.MD/Accts/01/2019/3090 dated 01/10/2019 & also considered during the visit of Hon'ble Auditor General to the Mongar Dzongkhag & Gewogs on*

02/11/2019 since all the accounting errors were corrected in the system with introduction of e-PEMS.

2.6. AUDIT CLEARANCE CERTIFICATE NOT OBTAINED FOR AVAILING SHORT-TERM TRAININGS

The Dzongkhag Administration, Monggar had allowed officials to avail short-term trainings without submitting valid Audit Clearance Certificates to HR Section as required by the BCSR. Some officials had proceeded for short-term trainings despite having un-settled issues against them due to which their application were rejected. Further, the HR section as a custodian of HR rules had processed the trainings even of those officials who had failed to produce the required documents. The lapses had occurred apparently due to failure on the part of HR Section to ensure compliance to the requirement and complete disregard to extant rules. *AIN: 15672; Para: 31; Accountabilities: Direct: Kuenzang Dorji, HRO, EID # 20150104988; Supervisory: Jamyang Cheda, Dzongrab, EID # 9507323.*

Status: *The observation was settled vide letter No.MD/HRs-09/2018-19/3280 dated 29/05/2019 of the Dzongkhag as administrative action was taken against the concerned persons as per the decision of the 46th Dzongkhag HRC Meeting held on 27th May, 2019.*

1.3.2.7 DZONGKHAG ADMINISTRATION, PARO

During the year, the RAA conducted two audits of Dzongkhag Administration, Paro. There were 32 observations amounting to Nu.11.549 million of which 14 observations amounting to Nu.5.541 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.6.008 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.151 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.5.857million as summarised below.

Out of the total unresolved irregularities of Nu.5.857 million reported to the Parliament in June 2019, Nu.3.957 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzongkhag Administration. The unresolved significant irregularities amounting to Nu.1.900 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.795	0.512	0.283	64.40
2	Shortfalls, Lapses and Deficiencies	5.062	3.445	1.617	68.06
	Total	5.857	3.957	1.900	67.56

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules - Nu.0.283 million

There were cases of non-compliance to laws and rules involving Nu.0.795 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Defects noted in construction of water supply line due to execution of substandard work	0.512	0.512	-
1.2	Non-execution/providing and fixing of electrical fittings as per BOQ	0.283	-	0.283
Total		0.795	0.512	0.283

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

1.1. DEFECTS NOTED IN CONSTRUCTION OF WATER SUPPLY LINE DUE TO EXECUTION OF SUBSTANDARD WORK - NU.0.512 MILLION

The Dzongkhag Administration, Paro had made payments amounting to Nu.0.512 million for sub-standard work in the construction of water supply for Jela Dzong. The water supply system for the Jela Dzong had numerous defects including:

- a twenty Horse Power (HP) centrifugal water pump which was found leaking and defunct;
- the MS bus bar chamber constructed at site was also defunct;
- the double chamber intake tank with manhole cover was not executed as per the required specification affecting continuous flow/supply of water;
- there was leakage from the two Ferro Cement Reservoir (FCR) tanks constructed;
- construction of barbed wire fencing at source was found not done properly; and
- dysfunctional automated starter.

The lapses are indicative of inadequate monitoring and supervision at the time of execution by the site engineer, and failure on the part of dealing officials while taking over of the completed works. *AIN: 15243; Para: 15.2; Accountabilities: Direct: Chundu Dorji, Asst. Engineer, EID No.200707082; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No.9901228.*

Status: *The observation was settled as the works have been completed and verified as per the letter No. RAA/FUCD(Q2)2019/2683 dt. 4/11/2019.*

1.2. NON-EXECUTION/PROVIDING AND FIXING OF ELECTRICAL FITTINGS AS PER BOQ - NU.0.283 MILLION

The Dzongkhag Administration, Paro had accepted Nu.0.283 million worth of electrical fittings and fixture other than those specified in the Bill of Quantities (BoQ) in the construction of two- unit staff quarter at RNR Centre under Shaba Gewog. M/s Lhab Tshering Construction, Paro had quoted to provide for wiring for all points to be done with recessed HDPE pipe, but was found done with PVC casing-capping. The contractor had also provided PVC boxes for switch and junctions, instead of metal boxes specified in the BoQ. The change of specification for electrical fittings was neither approved by the Tender Committee, nor was any rate analysis carried out to adjust the prices for the substituted items. *AIN: 15243; Para: 12.2; Accountabilities: Direct: Passang Tobgay, Asst. Engineer, EID No. 200307038; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

Status: *Observation not settled.*

2. Shortfalls, Lapses and Deficiencies - Nu.1.617 million

There were cases of shortfalls, lapses and deficiencies involving Nu.5.062 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Payment for work not executed at site	2.341	2.341	-
2.2	Excess Payment due to Short-Execution of works	1.002	1.002	-
2.3	Payment for short/less execution of works resulting to excess payment	0.425	-	0.425
2.4	Less payment to contractor	0.387	-	0.387
2.5	Payment made at higher rate resulting into excess payment	0.233	-	0.233
2.6	Excess payment on account of short-execution of work	0.196	-	0.196
2.7	Payment made for work not executed at site	0.138	-	0.138
2.8	Excess payment on account of electrification work for the construction of six-unit staff quarter at Paro Hospital	0.102	0.102	-
2.9	Payment made for electrical item/work not provided/done	0.100	-	0.100
2.10	Payment made for electrical item/work not provided/executed	0.094	-	0.094
2.11	Payment made for electrical item not provided at site	0.043	-	0.043
	Total	5.062	3.445	1.617

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

2.1. PAYMENT FOR WORK NOT EXECUTED AT SITE - NU.2.341 MILLION

The Dzongkhag Administration, Paro had made payment of Nu.2.341 million to M/s J.D. Construction for items of works not executed in the construction of six-unit staff quarter at Paro Hospital. This had occurred due to inadequate supervision and improper verification of the work by the site engineer and indicated existence of weak internal control system in the management of construction activities. *AIN: 15243; Para: 3.3; Accountabilities: Direct: Pema Lhendrup, Dy. Executive Engineer, EID No. 9807053; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

Status: *The observation was settled based on the justification and documentary evidences provided by the contractor vide Records of Discussion held on 18/09/2019 between the RAA and Dzongkhag.*

2.2. EXCESS PAYMENT DUE TO SHORT-EXECUTION OF WORKS - NU.1.002 MILLION

The Dzongkhag Administration, Paro had made excess payment of Nu.1.002 million to M/s J.D. Construction for items of works short executed in the construction of six-unit staff quarter at Paro Hospital. The contractor had been paid in excess of actual quantity of work executed at site. The excess payment had occurred due to inadequate supervision and improper verification of the work by the site engineer and indicated existence of weak internal control system in the management of construction activities. *AIN: 15243; Para: 3.4; Accountabilities: Direct: Pema Lhendrup, Dy. Executive Engineer, EID. No.9807053; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No.9901228.*

Status: *The observation was settled based on the justification and documentary evidences provided by the contractor vide Records of Discussion held on 18/09/2019 between the RAA and Dzongkhag.*

2.3. PAYMENT FOR SHORT/LESS EXECUTION OF WORKS - NU.0.425 MILLION

The Dzongkhag Administration, Paro had made excess payment of Nu.0.425 million to M/s Kurizam Construction for items of works short/less executed in the construction of two storied medical store at Paro Hospital as under:

- An amount of Nu.0.023 million pertained to width of the RRM internal wall being considered as 600mm instead of 400mm specified in Structural drawings;
- Nu.0.025 million pertained to short wall provided with half brick at site but paid as full brick wall while passing the claims in final bill;
- Nu.0.010 million pertained to non-deduction of openings from cement plaster on walls in the final bill; and
- Nu.0.003 million was due to inaccurate dimensions and application of inconsistent method/formulae while calculating the quantity of TMT bars against approved structural drawing.

The excess payments had occurred due to failure of the site engineer and supervising engineer to exercise due diligence and necessary checks to ensure admissibility of contractor's claims. *AIN: 15243; Para: 17.4; Accountabilities: Direct: Pema Lhendup, Dy. Executive Engineer, EID No. 9807053; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

Status: *Observation not settled.*

2.4. LESS PAYMENT TO CONTRACTOR - NU.0.387 MILLION

The Dzongkhag Administration, Paro had made short payment of Nu.0.387 million to M/s Kurizam Construction for the construction of two storied medical store at Paro Hospital. Review of the contractor's final bill against actual execution of works at site revealed that the actual quantity executed at site was more than the actual quantity paid in final bill. *AIN: 15243; Para: 17.1; Accountabilities: Direct: Pema Lhendup, Dy. Executive Engineer, EID No. 9807053; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

Status: *Observation not settled.*

2.5. PAYMENT MADE AT HIGHER RATE RESULTING INTO EXCESS PAYMENT - NU.0.233 MILLION

The Dzongkhag Administration, Paro had made excess payment of Nu.0.233 million to M/s Kurizam Construction in the construction of two storied medical store at Paro Hospital due to payment for items of works at a higher rate than quoted in the BoQ. The excess payments had occurred due to failure of the site engineer and supervising engineer to exercise due diligence and necessary checks to ensure admissibility of contractor's claims. *AIN: 15243; Para: 17.3; Accountabilities: Direct: Pema Lhendup, Dy. Executive Engineer, EID No. 9807053; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

Status: *Observation not settled.*

2.6. EXCESS PAYMENT ON ACCOUNT OF SHORT-EXECUTION OF WORK - NU.0.196 MILLION

The Dzongkhag Administration, Paro had made excess payment of Nu.0.196 million to M/s Tashi Norphel Construction for items of works short executed in the re-electrification works of Rinpung Dzong. The details of measurement for actual work done at site were not recorded in MB and instead an abstract of measurement were recorded and considered for payment. The excess payments had occurred due to failure of the site engineer and supervising engineer to exercise due diligence and

necessary checks to ensure admissibility of contractor's claims. *AIN: 15243; Para: 4.1; Accountabilities: Direct: Passang Tobgay, Assistant Engineer (Electrical), EID No 200307038; Supervisory Accountability: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

Status: *Observation not settled.*

2.7. PAYMENT MADE FOR WORK NOT EXECUTED AT SITE - NU.0.138 MILLION

The Dzongkhag Administration, Paro had made payment of Nu.0.138 million to M/s Kurizam Construction for items of works not executed in the construction of two-storied medical store at Paro Hospital. The contractor had been paid for quantities in excess of actual quantities executed at site. The excess payments had occurred due to failure of the site engineer and supervising engineer to exercise due diligence and necessary checks to ensure admissibility of contractor's claims. *AIN: 15243; Para: 17.2; Accountabilities; Direct: Pema Lhendup, Dy. Executive Engineer, EID No. 9807053; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

Status: *Observation not settled.*

2.8. EXCESS PAYMENT ON ACCOUNT OF ELECTRIFICATION WORK FOR THE CONSTRUCTION OF SIX-UNIT STAFF QUARTER AT PARO HOSPITAL - NU.0.102 MILLION

The Dzongkhag Administration, Paro had made excess payment of Nu.0.102 million to M/s J.D. Construction for items of electrification works in the construction of six-unit staff quarter at Paro Hospital. The contractor had been paid in excess of actual quantity of work executed at site. The excess payments had occurred due to failure of the site engineer and supervising engineer to exercise due diligence and necessary checks to ensure admissibility of contractor's claims. *AIN: 15243; Para: 3.5; Accountabilities: Direct: Passang Tobgay, Assistant Engineer (Electrical), EID No 200307038; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No.9901228.*

Status: *The observation was settled based on the justification and documentary evidences provided by the contractor vide Records of Discussion held on 18/09/2019 between the RAA and Dzongkhag.*

2.9. PAYMENT MADE FOR ELECTRICAL ITEM/WORK NOT PROVIDED/DONE- NU.0.100 MILLION

The Dzongkhag Administration, Paro had made inadmissible payment of Nu.0.100 million to M/s Sherabling Construction, Paro for items of works not executed in the construction of Community Information Center under Doteng Gewog. The excess payment had occurred due to release of payment to contractor before actual completion of the work at site based on the verbal assurance of the contractor instead of certifying for payment after the completion of the work in all respects. *AIN: 15243; Para: 14.1; Accountabilities: Direct: Passang Tobgay, Asst. Engineer, EID No. 200307038; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

Status: *Observation not settled.*

2.10. PAYMENT MADE FOR ELECTRICAL ITEM/WORK NOT PROVIDED/EXECUTED - NU.0.094 MILLION

The Dzongkhag Administration, Paro had made payment of Nu.0.094 million to M/s Sherabling Construction, Paro for items of works not/short executed in the construction of Community Information Center under Doteng Gewog. This had occurred due to release of full amount without actual completion of the work and verification of work at site. *AIN: 15243; Para: 13.1; Accountabilities: Direct: Passang Tobgay, Asst. Engineer, EID No. 200307038; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

Status: Observation not settled.

2.11. PAYMENT MADE FOR ELECTRICAL ITEM NOT PROVIDED AT SITE - NU.0.043 MILLION

The Dzongkhag Administration, Paro had made payment of Nu.0.043 million to M/s Lhab Tshering Construction, Paro for items of works not/short executed in the Construction of two- unit staff quarter at RNR Centre under Shaba Gewog. The lapses had occurred due to release of full amount without actual completion of the work and verification of work at site. *AIN: 15243; Para: 12.1; Accountabilities: Direct: Passang Tobgay, Asst. Engineer, EID No. 200307038; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

Status: Observation not settled.

1.3.2.8 DZONGKHAG ADMINISTRATION, PEMAGATSHEL

During the year, the RAA conducted four audits of Dzongkhag Administration, Pemagatshel. There were 16 observations amounting to Nu.25.076 million of which seven observations amounting to Nu.2.112 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.22.964 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.533 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.22.431 million as summarised below.

Out of the total unresolved irregularities of Nu.22.431 million reported to the Parliament in June 2019, Nu.0.097 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzongkhag Administration. The unresolved significant irregularities amounting to Nu.22.334 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	-
2	Shortfalls, Lapses and Deficiencies	22.431	0.097	22.334	0.43
	Total	22.431	0.097	22.334	0.43

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Ex-country travel performed without obtaining audit clearance	-	-	Settled
1.2	Non-rectification of defective works	-	-	Unsettled
Total		-	-	-

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

1.1. EX-COUNTRY TRAVEL PERFORMED WITHOUT OBTAINING AUDIT CLEARANCE

The Dzongkhag Administration, Pemagatshel had permitted 19 officials to avail ex-country trainings without obtaining Audit Clearance Certificates as required by the BCSR. The Dzongkhag Administration had failed to adhere to the training requirements of BCSR. Failure to obtain mandatory documents also indicate laxity and negligence of Human Resources officials/section and approving authorities in discharging responsibilities diligently as well as weak internal controls. *AIN: 15175; Para: 7; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Pema Tobgyel, AHRO, EID # 20160106435.*

Status: *The observation was settled as per the letter No. PG/HRS-25/2018-2019/6792 of 09/05/2019.*

1.2. NON-RECTIFICATION OF DEFECTIVE WORKS

The Dzongkhag Administration, Pemagatshel had not instructed the contractor, M/s Ugyen Construction, Pemagatshel to rectify defective works noted in the blacktopping of internal roads and resurfacing of Basketball court at Nangkhor Central School. The defects had occurred due to poor workmanship on part of the contractor and inadequate monitoring and supervision by the school authorities. The Handing-Taking Committee had also not exercised due diligence when taking over the completed works. *AIN: 15175; Para: 9; Accountabilities: Direct; Damcho Zangmo, AE, EID # 9707057; Supervisory: Sonam Jamtsho, DE, EID # 201001181.*

Status: *Observation not settled.*

2. Shortfalls, Lapses and Deficiencies - Nu.22.334 million

There were cases of shortfalls, lapses and deficiencies involving Nu.22.431 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Non-adjustment/recovery of pw advances and personal advances on time	22.284	-	22.284
2.2	Travel claim without performing tour	0.115	0.065	0.050
2.3	Inadmissible payment of vehicle hire charge to the official of agriculture sector	0.032	0.032	-
Total		22.431	0.097	22.334

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

2.1. NON-ADJUSTMENT/RECOVERY OF PW ADVANCES AND PERSONAL ADVANCES ON TIME - NU.22.284 MILLION

The Dzongkhag Administration, Pemagatshel had overdue outstanding advances amounting to Nu.22.284 million remaining unadjusted. Nu. 22.174 million pertained to Public Works Advances and Nu.0.110 million pertained to Personal Advances. On enquiry the dealing officials informed that most of the outstanding advances pertained to cases which are under sub-judice. *AIN: 15175; Para: 1; Accountabilities: Direct: Lobzang Tshering, JE, EID # 200901074; Kinley Wangdi, JE, EID # 20140103482; Sonam Chogyel, AE, EID # 8808110; Kinzang Tshering, DAO, EID # 9908029; Leki Lhamo, NFE Instructor, EID # 12003001280; Sonam Zangmo, Caretaker, CID #1107003640; Supervisory: Yezer, Sr. FO, EID # 200901068.*

Status: *Observation not settled.*

2.2. TRAVEL CLAIM WITHOUT PERFORMING TOUR - NU.0.115 MILLION

The Dzongkhag Administration, Pemagatshel had made inadmissible payments amounting to Nu.0.494 million to officials on account of TA/DA for official tours but the officials were found present in the office as per the attendance register on the dates claimed as tours, which was construed as claims made for tours not performed. The lapses had occurred due to non-enforcement of travel rules and regulations by the concerned Sector Heads and the Administration & Finance Section indicating weak internal controls. As of 31 March 2019, Nu.0.379 million has been recovered leaving balance of Nu.0.115 million unresolved. *AIN: 15175; Para: 3; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Refer Accountability Statement in audit report.*

Status: *Observation partially settled. A sum of Nu.0.065 million was recovered leaving a balance of Nu.0.050 million.*

2.3. INADMISSIBLE PAYMENT OF VEHICLE HIRE CHARGE TO THE OFFICIAL OF AGRICULTURE SECTOR – NU.0.032 MILLION

The Commercial Agriculture and Resilient Livelihoods Enhancement Programme (CARLEP) under Dzongkhag Administration, Pemagatshel had made inadmissible payment of Nu.0.032 million on account of vehicle hire charges to the officials of the Agriculture Sector in contravention to the BCSR. Scrutiny of documents revealed that the agriculture extension official had used his personal vehicle for the official work in farmer's exchange program and had claimed hire charges of Nu.0.037 million instead of claiming mileage of Nu.0.005 million entitled at his position level with resultant inadmissible payment. *AIN: 15646; Para: 1; Accountabilities: Direct: Dorji Wangchuk, Agriculture Extension Supervisor I, EID # 201107202; Supervisory: Tashi Phuntsho, DAO, EID # 9808074.*

Status: *The observation was settled as the amount was deposited vide receipt No. 469659 dated 20.6.2019.*

1.3.2.9 DZONGKHAG ADMINISTRATION, PUNAKHA

During the year, the RAA conducted one audit of Dzongkhag Administration, Punakha. There were 35 observations amounting to Nu.6.748 million of which 10 observations amounting to Nu.0.199 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.6.549 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.175 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.6.374 million as summarised below.

Out of the total unresolved irregularities of Nu.6.374 million reported to the Parliament in June 2019, Nu.0.778 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzongkhag Administration. The unresolved significant irregularities amounting to Nu.5.596 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	0.935	-	0.935	-
2	Non-compliance to Laws and Rules	2.824	0.110	2.714	3.895
3	Shortfalls, Lapses and Deficiencies	2.615	0.668	1.947	25.54
	Total	6.374	0.778	5.596	12.21

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Mismanagement - Nu.0.935 million

There were cases of mismanagement involving Nu.0.935 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Non-collection of urban tax	0.749	-	0.749
1.2	Non-deposit of vendor fees and shortage of cash thereof	0.186	-	0.186
1.3	Inconsistency in water consumption and billing	-	-	Settled
1.4	Payment of Bhutan Sales Tax on procurement of Vehicle	-	-	Settled
	Total	0.935	-	0.935

The cases of mismanagement are as indicated below:

1.1. NON-COLLECTION OF URBAN TAX – NU.0.749 MILLION

The Municipal office under the Dzongkhag Administration, Punakha had not collected taxes amounting to Nu.0.749 million during the financial year 2016-2017. As per the water service connection details there were 150 registered houses comprising of 1085 units within the municipal area. However, the Dzongkhag Municipal office had not collected outstanding urban house taxes of Nu.0.085 million and land taxes amounting to Nu.0.664 million from 36 land owners whose land fell under the municipality's jurisdiction of urban area since 2016. The Municipality had not carried out proper assessment of taxes and was indicative of the existence of weak record management system and poor revenue management system. There was also lack of adequate supervisory and monitoring controls. *AIN: 15640; Para: 22.1; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Supervisory: Aiman Limbu, AE, EID # 20120100114.*

Status: Observation not settled.

1.2. NON-DEPOSIT OF VENDOR FEES AND SHORTAGE OF CASH THEREOF – NU.0.186 MILLION

The Dzongkhag Administration, Punakha had shortage of Nu.0.186 million on account of vendor fee collections not deposited into the bank account as shown below:

Sl. No.	Collection	Expenditure	Balance	Cash in hand/bank	Short	Accountable
1	0.78	0.603	0.177	0.022	0.155	Thromdhey Thueme
2	0.124	0.104	0.021	0	0.02	Municipal Engineer
3	0.688	0.497	0.191	0.18	0.011	Thromdhey Ngotshab
Total	1.592	1.204	0.388	0.203	0.186	

The revenue collections were found not deposited on time into the bank as required by the FRR. The vendor fees were not deposited as per weekly collections. For instance, a sum of Nu.0.113 million was deposited into the bank account only on 12/02/2018 against the total fees of Nu.0.710 million collected from 01/11/2016 to 10/03/2018 resulting in temporary misuse of fund. *AIN: 15640; Para: 21.3; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Supervisory: Aiman Limbu, AE, EID # 20120100114.*

Status: *Observation not settled.*

1.3. INCONSISTENCY IN WATER CONSUMPTION AND BILLING

The Dzongkhag Administration, Punakha had cases of inconsistencies in the monthly water utility meter readings and collection of charges with resultant losses amounting to Nu.0.108 million for the financial year 2016-2017. The inconsistencies were attributed to defective water meters which were not replaced on time. *AIN: 15640; Para: 20.1; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Supervisory: Tandin Dorji, Chief DzE, EID # 200401026; Tobgay, DzE, EID # 201101170.*

Status: *The observation was settled vide follow up Report No. RAA/OAAG(T)FUS-02/2019-2020/0597 dated 17/03/2020.*

1.4. PAYMENT OF BHUTAN SALES TAX ON PROCUREMENT OF VEHICLE

During the FY 2016-2017, the Dzongkhag Administration, Punakha had failed to avail tax exemption on procurement of one utility vehicle at a cost of Nu.0.820 million for Kabesa Middle Secondary School. The invoice from M/s Singye Agencies, Phuentsholing indicated that the rates were inclusive of BST and Green Tax. The vehicle was procured based on the award letter of the Ministry of Finance, but the tax exemption certificate was not sought for procurement of utility vehicles for school to avail the tax benefits. *AIN: 15640; Para: 18; Accountabilities: Direct: Rinchen Samdrup, Dy, CDEO, EID # 9808258; Supervisory: Lemo, CDEO, EID # 9607066.*

Status: *The observation was settled based on the letter No.DRC/STD/EXEMPTION/35/2019/2646 dated 12 June 2019 as lapses action was taken.*

2. Non-compliance to Laws and Rules - Nu.2.714 million

There were cases of non-compliance to laws and rules involving Nu.2.824 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Delay in the completion and non-levy of liquidated damages	1.470	-	1.470
2.2	Utilization of vendor fees without supporting documents	1.204	-	1.204
2.3	Inadmissible payment of fees to vendor fee collector	0.057	0.057	-
2.4	Non-levy of Liquidated Damages for delay in maintenance works	0.053	0.053	-
2.5	Non-availability of bills/cash memos	0.040	-	0.040
2.6	Non-accountal of Receipts and Payments	-	-	Unsettled
2.7	Enormous deviation in the quantity of work done	-	-	Unsettled
2.8	Printing of money receipt books without work order and irregularities	-	-	Settled
	Total	2.824	0.110	2.714

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

2.1. DELAY IN THE COMPLETION AND NON-LEVY OF LIQUIDATED DAMAGES - NU.1.470 MILLION

The Dzongkhag Administration, Punakha had not levied Liquidated Damages of Nu. 1.470 million to M/s Joenshing Construction, Thimphu for delay in the blacktopping of Khuruthang urban road. The blacktopping works were completed after a delay of 69 days on 26 June 2017 and the contractor was liable for liquidated damages of Nu.1.470 million as per the provisions of the Special Conditions of Contract. However, the Dzongkhag Administration had not deducted the liable liquidated damages. *AIN: 15640; Para: 3.1; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; M/s Joenshing Construction, CDB # 5728; Supervisory: Tandin Dorji, Chief DzE, EID # 20040102; Tobgay, DzE, EID # 201101170.*

Status: *Observation not settled.*

2.2. TILIZATION OF VENDOR FEES WITHOUT SUPPORTING DOCUMENTS - NU.1.204 MILLION

The Dzongkhag Administration, Punakha had utilised vendor fees amounting to Nu.1.204 million for carrying out various activities from May 2012 to March 2018 without adequate supporting documents. The expenses included procurement of the following:

S/n	Particulars	Amt. (Million)
1	Bush Cutting Machine, Dell Laptop and Dewan	0.086
2	Purchase of Hand Gloves, Tools, Extension Cords, HDPE Pipe, Gumboots, Carpet, Window Curtains and other miscellaneous items	0.076
3	Construction of cattle shed, maintenance of drain in Khuruthang Town and Market Shed, grass cuttings	0.145
4	Serving refreshments and lunch during public meeting and visit of guests	0.098
5	Printing of money receipt books	0.008
6	Donations and contributions	0.022
7	Payment of monthly wages for elementary service personnel	0.708
8	Payment of commission to vendor fee collector	0.057

In absence of proper supporting documents the authenticity of the expenditures made could not be ascertained. *AIN: 15640; Para: 21.2; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Supervisory: Aiman Limbu, AE, EID # 20120100114.*

Status: *Observation not settled.*

2.3. AVIODABLE PAYMENT OF REMUNERATION TO VENDOR FEE COLLECTOR - NU.0.057 MILLION

The Dzongkhag Administration, Punakha had made avoidable payment of Nu.0.057 million from May 2012 to July 2016 on account of remuneration to vendor fee collectors. However, two *Thrum Thorpe* were found already appointed to support the *Thromde Thueme* in managing and executing activities including the collection of weekly vendor fees and they were being paid Nu.3,000.00 per month as fees. *AIN: 15640; Para: 21.5; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Supervisory: Aiman Limbu, AE, EID # 20120100114.*

Status: *The observation was settled as the amount was recovered.*

2.4. NON-LEVY OF LIQUIDATED DAMAGES FOR DELAY IN MAINTENANCE WORKS - NU.0.053 MILLION

The Dzongkhag Administration, Punakha had not levied liquidated damages of Nu.0.053 million to M/s Dungkhar Construction for delay in the maintenance of Yuwawom Irrigation Channel under Barp Gewog during the financial year 2016-17. The maintenance of Yuwawom irrigation channel was completed after a delay of 29 days on 2 June 2017 and the contractor was liable for liquidated damages of 0.1% per day amounting to Nu.0.053 million as specified in the Standard Bidding Document. The lapses had occurred apparently due to non-enforcement of contract terms and conditions. *AIN: 15640; Para: 2; Accountabilities: Direct: Rinchen Gyelpo, AE, EID # 200901081; M/s Dungkar Construction, CDB/TL # 7182/6008349; Supervisory: Tandin Dorji, Chief DzE, EID # 200401026; Tobgay, DzE, EID # 201101170.*

Status: *The observation was settled based on the justification furnished by the Dzongkhag.*

2.5. NON-AVAILABILITY OF BILLS/CASH MEMOS - NU.0.040 MILLION

The Dzongkhag Administration, Punakha did not produce bills and cash memos for expenses worth Nu.0.040 million incurred for painting vegetable market parking, inauguration of water supply scheme and the vegetable market. *AIN: 15640; Para: 21.4; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Supervisory: Aiman Limbu, AE, EID # 20120100114.*

Status: *Observation not settled.*

2.6. NON-ACCOUNTAL OF RECEIPTS AND PAYMENTS

The Dzongkhag Administration, Punakha had made vendor fee collection of Nu.0.686 million from 1 November 2016 till 10 March 2018 out of which expenditure of Nu.0.497 million was incurred. During the financial year 2016-2017, Nu.0.020 million was paid from the current account of water utility charges. The Dzongkhag Municipal office had failed to account both the receipts as well as the expenditures incurred in the books of accounts as required by FRR. *AIN: 15640; Para: 21.1; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Supervisory: Aiman Limbu, AE, EID # 20120100114.*

Status: *Observation not settled.*

2.7. ENORMOUS DEVIATION IN THE QUANTITY OF WORK DONE

The Dzongkhag Administration, Punakha had enormous deviation of 67.70% in the quantity of work done for the construction of sewerage tank at Khuruthang urban road executed by M/s Ghana Builders, Thimphu. Against the initial contract amount of Nu.4.832 million, the final cost of construction was Nu.8.098 million for which no approval from the competent authority was made available for verification. *AIN: 15640; Para: 4.2; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Gaana Builders, CDB # 7249; Supervisory: Tandin Dorji, Chief DzE, EID # 200401026; Tobgay, DzE (EID # 201101170).*

Status: *Observation not settled.*

2.8. PRINTING OF MONEY RECEIPT BOOKS WITHOUT WORK ORDER AND IRREGULARITIES THEREOF

The Dzongkhag Administration, Punakha had printed 350 receipt booklets for the collection of municipal service charges without work/supply orders and were also not found recorded in the stock register as required. The Dzongkhag Administration had failed to produce 187 booklets for verification and only 163 booklets were available, of which 120 booklets were found printed with same book numbers and serial numbers. In the absence of work order, the actual total number of booklets printed could not be verified and thus, the actual amount collected from each money receipt booklet and its accountal in the books of accounts could not be ascertained as 120 booklets were of same book and serial numbers. *AIN: 15640; Para: 21.7; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Supervisory: Aiman Limbu, AE, EID # 20120100114.*

Status: *The observation was settled as lapses action was taken as per the letter No. RAA/OAAG(T)FUS-02/2019-2020/0597 dated 17/03/2020.*

3. Shortfalls, Lapses and Deficiencies - Nu.1.947 million

There were cases of shortfalls, lapses and deficiencies involving Nu.2.615 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1	Excess payment as a result of paying beyond the approved drawings	1.223	-	1.223
3.2	Short payment as a result of less claim of quantity of work done	0.587	-	0.587
3.3	Difference in recovery of house rent	0.317	0.294	0.023
3.4	Payments made for works not executed at site	0.177	0.177	-
3.5	Disbursement of monthly salary to NFE facilitator/instructor and lapses thereof	0.126	0.126	-
3.6	Excess payment in the construction of approach road at RNR Centre	0.114	-	0.114
3.7	Excess disbursement of Library & Laboratory Management Course fee	0.038	0.038	-
3.8	Non-deduction of house rent	0.033	0.033	-
	Total	2.615	0.668	1.947

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

3.1 EXCESS PAYMENT AS A RESULT OF PAYING BEYOND THE APPROVED DRAWINGS - NU.1.223 MILLION

The Dzongkhag Administration, Punakha had made excess payment of Nu.1.223 million to the contractor due to payment beyond the approved drawings. Against the approved thickness of 200 mm (approved drawings), the contractor was paid for 400 mm in providing and laying for RCC works including TMT bars. Also, the weep holes were not deducted from the total quantity of RCC boundary wall and excess payment was made for providing and laying chain-link fencing. The lapses had occurred due to failure of the officials concerned to exercise due diligence and prudence in performing their duties and was indicative of extending undue financial favor to the contractor. *AIN: 15640; Para: 4.3; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Gaana Builders, CDB # 7249; Supervisory: Tandin Dorji, Chief DzE, EID # 200401026; Tobgay, DzE (EID # 201101170).*

Status: *Observation not settled.*

3.2 SHORT PAYMENT AS A RESULT OF LESS CLAIM OF QUANTITY OF WORK DONE - NU.0.587 MILLION

The Dzongkhag Administration, Punakha had made short payment of Nu.0.587 million to the contractor in the construction of Khuruthang urban road. The contractor was found paid in excess for scarifying, WMM and GSB works executed in the construction of Meto Lam amounting to Nu.0.907 million. However, the contractor was found short paid by Nu.1.493 million for providing and laying AC, DBM and scarifying on other roads. The net effect was short payment of Nu.0.587 million.

The project was initially awarded to M/s Joenshing Construction, Thimphu who failed to complete the works despite repeated notices with resultant termination of contract. Subsequently, M/S Hi-tech Construction took up the remaining works and completed it on behalf of the former contractor. The lapses had occurred due to failure to invoke provision of the contract. *AIN: 15640; Para: 3.2; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; M/s Joenshing Construction, CDB # 5728; Supervisory: Tandin Dorji, Chief DzE, EID # 20040102; Tobgay, DzE, EID # 201101170.*

Status: *The observation was settled.*

3.3 DIFFERENCE IN RECOVERY OF HOUSE RENT - NU.0.317 MILLION

The Dzongkhag Administration, Punakha had made short recoveries amounting to Nu.0.317 million on account of house rent from officials occupying government accommodation during financial year 2016-2017. As against the total recoverable house rent of Nu.2.326 million, Dzongkhag Administration had recovered only Nu.2.009 million. The lapses had occurred due to inadequate internal controls. *AIN: 15640; Para: 15.2; Accountabilities: Direct: Individual concerned; Supervisory: Lobzang, HRO, EID # 20160106437.*

Status: *Observation partially settled. A sum of Nu.0.294 million was recovered leaving a balance of Nu. 0.023 million.*

3.4 PAYMENTS MADE FOR WORKS NOT EXECUTED AT SITE - NU.0.177 MILLION

The Dzongkhag Administration, Punakha had made excess payment of Nu.0.177 million for works not executed at site in the construction of Water Supply at Tashidingkha Central School. M/s Shengap K Namgay Construction had not covered HDPE pipes after laying the pipes in the excavated earth as required. As a result, about 50 meters of HDPE pipes were stolen by miscreants. The lapses had occurred due to lack of supervision and monitoring during execution and improper verification and certification of contractors bills for payment without verifying the works executed at site. *AIN: 15640; Para: 7; Accountabilities: Direct: Thinley Dorji, JE, EID # 201001712; M/s Puna Construction, CDB:*

5388; Supervisory: Tandin Dorji, Chief DzE, EID # 200401026; Tobgay, DzE, EID # 201101170.

Status: The observation was settled as lapses action was taken vide DAP/ENG-12/2017-2018/1075 date 26/06/2018.

3.5 DISBURSEMENT OF MONTHLY SALARY TO NFE FACILITATOR/INSTRUCTOR AND LAPSES THEREOF - NU.0.126 MILLION

The Dzongkhag Administration, Punakha had made inadmissible payment of Nu.0.126 million on account of salaries to ECCD Facilitators and NFE Instructors during the academic years 2016 and 2017. Although, four instructors had left the Centre, the Dzongkhag Administration had continued to pay their monthly salaries. The lapses had occurred due to poor coordination between the Education Sector and the Accounts Section. *AIN: 15640; Para: 14; Accountabilities: Direct: Rinchen Samdrup, Dy, CDEO, EID # 9808258; Supervisory: Lemo, CDEO, EID # 9607066.*

Status: The observation was settled.

3.6 EXCESS PAYMENT IN THE CONSTRUCTION OF APPROACH ROAD AT RNR CENTRE – NU.0.114 MILLION

The Dzongkhag Administration, Punakha had made excess payment of Nu.0.114 million to M/s Chado T Construction, Punakha for items of works not/short executed in the construction of approach road at RNR center. The contractor was paid for 84.44 meters against the actual length of 75 meters of approach road and the RRM open surface drain, RCC works were not provided at site. The thickness of the road provided at site barely measured 80 mm, indicating that the AC was not provided as specified. The lapses had occurred apparently due to failure of the site engineer to exercise due diligence while verifying the final bill to ascertain admissibility contractor's claims. *AIN: 15640; Para: 8; Accountabilities: Direct: Tandin Dorji, Chief DzE, EID # 200401026; M/s Chador T Construction, CDB # 7399; Supervisory: Tandin Dorji, Chief DzE, EID # 200401026; Tobgay, DzE, EID # 201101170.*

Status: Observation not settled.

3.7 EXCESS DISBURSEMENT OF LIBRARY & LABORATORY MANAGEMENT COURSE FEE - NU.0.038 MILLION

The Dzongkhag Administration, Punakha had made excess payment of Nu.0.038 million to two officials who underwent management courses. The Dzongkhag Administration had nominated two candidates twice but the officials had attended only one course each which had resulted in excess payment of course fees.

Such excess payment of course fees indicates poor coordination between the Human Resource Section and Finance Section, besides the HR section had failed to exercise due diligence in nominating the officials. *AIN: 15640; Para: 11; Accountabilities: Direct: Sangay Dorji, ex Accounts Assistant, CID # 11401000830; Supervisory: Chencho Dorji, Finance Officer, EID # 201101055.*

Status: The observation was settled.

3.8 NON-DEDUCTION OF HOUSE RENT – NU.0.033 MILLION

The Dzongkhag Administration, Punakha had not deducted house rent amounting to Nu.0.033 million for government quarters occupied by *Gup* and *Mangmi*. The lapses had occurred apparently due to weak internal control systems in place. *AIN: 15640; Para: 15.1; Accountabilities: Direct: Sonam Tobgay, Chhubu Gup. CID # 11001001746; Gem Tshering Ex. Mangmi. CID # 11411000461; Supervisory: Sonam Tobgay, Chhubu Gup. CID # 11001001746; Gem Tshering Ex. Mangmi. CID # 11411000461.*

Status: The observation was settled.

1.3.2.10 DZONGKHAG ADMINISTRATION SAMDRUP JONGKHAR

During the year, the RAA conducted four audits of the Dzongkhag Administration, Samdrup Jongkhar. There were 28 observations amounting to Nu.4.265 million of which 17 observations amounting to Nu.3.009 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.256 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.040 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.216 million as summarised below.

Out of the total unresolved irregularities of Nu.1.216 million reported to the Parliament in June 2019, Nu.0.131 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzongkhag Administration. The unresolved significant irregularities amounting to Nu.1.085 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.126	-	0.126	-
2	Shortfalls, Lapses and Deficiencies	1.090	0.131	0.959	12.02
	Total	1.216	0.131	1.085	10.77

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules - Nu.0.126 million

There were cases of non-compliance to laws and rules involving Nu.0.126 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Non-liquidation of advances	0.126	-	0.126
1.2	Delay in completion of the work	-	-	Unsettled
1.3	Non-renewal of bank guarantee	-	-	Unsettled
	Total	0.126	-	0.126

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

1.1. NON-LIQUIDATION OF ADVANCES - NU.0.126 MILLION

The Dzongkhag Administration Samdrup Jongkhar had not adjusted/recovered advances amounting to Nu.0.126 million from the contractor's Running Account Bill in the construction of the 200 feet span Double-Double Bailey Bridge at Phokcheri farm road under Serthi Gewog. *AIN: 15231; Para: 12.1; Accountabilities: Direct: Karma Dorji Sherpa, AE, EID No. 20070789; Supervisory: Lamdra Wangdi, Dungpa, EID No. 9507335.*

Status: Observation not settled.

1.2. DELAY IN COMPLETION OF WORK

The Dzongkhag Administration, Samdrup Jongkhar had made payments of Nu.1.939 million to Mjs Sidhi Jawa Construction, Trashigang in the construction of Office-cum-TB ward at Samdrup Jongkhar Hospital. The work was scheduled to commence from 29 December 2016 and complete on 29 July 2017. However, the works were found incomplete at the time of audit in October 2017. Further, an amount of Nu.0.310 million was booked under 'Closed Works'. The delays in progress of work was indicative of lack of adequate monitoring and supervision by site engineer. In addition, the running bills were found released without proper verification and approval. *AIN: 15231; Para: 5.3; Accountabilities: Direct: Kezang Wangmo, AE, EID No. 20120100123; Supervisory: Chador Phuntsho, DE, EID No. 9102052.*

Status: Observation not settled.

1.3. NON-RENEWAL OF BANK GUARANTEE

The Dzongkhag Administration Samdrup Jongkhar had indemnified 10% performance security money of Nu.0.187 million in the form of Performance Guarantee issued from the RICBL with validity period of 3 months for the construction of Office-cum-TB ward at Samdrup Jongkhar Hospital. However, the Dzongkhag Administration had not renewed the Performance Guarantee in spite of its expiry and delay in the completion of work. The lapse had occurred apparently due to failure on the part of site engineer to exercise due diligence in reviewing the validity of the Performance Guarantee. *AIN: 15231; Para: 5.4; Accountabilities: Direct: Kezang Wangmo, AE, EID No. 20120100123; Supervisory: Chador Phuntsho, DE, EID No. 9102052.*

Status: Observation not settled.

2. Shortfalls, Lapses and Deficiencies - Nu.0.959 million

There were cases of shortfalls, lapses and deficiencies involving Nu.1.090 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Non-deduction of rebate	0.600	-	0.600
2.2	Excess payment in construction of road, footpath and drainage	0.401	0.100	0.301
2.3	Overpayment due to double payment and computation error	0.058	-	0.058
2.4	Excess payment due to less deduction	0.031	0.031	
2.5	Non-utilization of irrigation materials	-	-	Settled
	Total	1.090	0.131	0.959

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

2.1. NON-DEDUCTION OF REBATE - NU.0.600 MILLION

The Dzongkhag Administration Samdrup Jongkhar had not deducted rebate of Nu.0.600 million offered by the contractor against the bid amount of Nu.2.551 million in the construction of Office-cum-TB Ward at Samdrup Jongkhar Hospital. The rebate offered had not been deducted proportionately from the running bills. *AIN: 15231; Para: 5.2; Accountabilities: Direct: Kezang Wangmo, AE, EID No.*

20120100123; Supervisory: Chador Phuntsho, DE, EID No. 9102052.

Status: Observation not settled.

2.2. EXCESS PAYMENT IN CONSTRUCTION OF ROAD, FOOTPATH AND DRAINAGE - NU.0.401 MILLION

The Dzongkhag Administration Samdrup Jongkhar had made excess payment of Nu.0.401 million due to excess claim for items of work executed in the construction of road, footpath and drainage at Samdrupcholing town. The item of work 'P/L Hammer dressed stone edging 150 mm x 250 mm with stones including excavation, refilling and disposal of surplus earth within 50 m' was recorded as three numbers in the MB, but only two numbers were executed with resultant excess payment to the contractor. The lapses had occurred apparently due to improper verification of contractor's bills and recording the measurement of works in the MB without cross verifying with the actual quantum of works executed at site by the site engineer and failure of the supervising engineer to ensure the admissibility of contractor's claims. *AIN: 15231; Para: 9; Accountabilities: Direct: Chador Phuntsho, DE, EID No. 910252; Supervisory: Chador Phuntsho, DE, EID No. 910252.*

Status: Observation partially settled. An amount of Nu.0.100 million has been deposited vide receipt No. 429091 dated 27/01/2020 leaving a balance of Nu.0.301 million.

2.3. OVERPAYMENT DUE TO DOUBLE PAYMENT AND COMPUTATION ERROR - NU.0.058 MILLION

The Dzongkhag Administration Samdrup Jongkhar had made excess/double payment amounting to Nu.0.058 million due to improper computation of bill by the dealing official and had released the payment twice for the same item of work in the construction of Office-cumTB Ward at Samdrup Jongkhar Hospital. The excess/double payment had occurred apparently due to lack of proper verification of contractor's bills by the site engineer, supervising engineer and accounts personnel before releasing payment to the contractor. *AIN: 15231; Para: 5.1; Accountabilities: Direct: Kezang Wangmo, AE, EID No. 20120100123; Supervisory: Chador Phuntsho, DE, EID No. 910252.*

Status: Observation not settled.

2.4. EXCESS PAYMENT DUE TO LESS DEDUCTION - NU.0.031 MILLION

The Dzongkhag Administration Samdrup Jongkhar had made excess payment of Nu.0.031 million to M/s Kuenchap Construction, Samdrup Jongkhar due to non-deduction of openings for windows from the brickworks in the construction of 4-Unit Staff Quarter at Gomdar BHU. The excess payment had occurred apparently due to lack of proper verification of contractor's bills by the site engineer, supervising engineer and accounts personnel before releasing payment to the contractor. *AIN: 15231; Para: 7.3; Accountabilities: Direct: Tashi Lhamo, AE, EID No. 201001732; Supervisory: Chador Phuntsho, DE, EID No.910252.*

Status: The observation was settled as the amount was deposited vide receipt No. 428125 of 12/03/18.

2.5. NON-UTILIZATION OF IRRIGATION MATERIALS

The CARLEP implemented by the Dzongkhag Administration, Samdrup Jongkhar had not utilised irrigation materials such as cement (150 bags), CGI sheets (60 nos.) and HDPE pipes (3800 meters) procured for distribution to work sites under the Dzongkhag. The materials were found lying idle in the Dzongkhag store at the time of audit in October 2018. *AIN: 15611; Para: 2; Accountabilities: Direct: Sonam Phuntsho, ADAO, EID No. 9808073; Supervisory: Chorten Gyeltshen, DAO, EID No. 9507101; Tempa Gyeltshen, Gup, CID No. 11104000057.*

Status: The observation was settled as lapses action was taken as per letter No. CDA/Agri-11/2018-2019/5015 dated 04/04/2019.

1.3.2.11 DZONGKHAG ADMINISTRATION, SAMTSE

During the year, the RAA conducted three audits of the Dzongkhag Administration, Samtse. There were 21 observations amounting to Nu.38.747 million of which nine observations amounting to Nu.0.131 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.38.616 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.13.102 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.25.514 million as summarised below.

Out of the total unresolved irregularities of Nu.25.514 million reported to the Parliament in June 2019, Nu.6.208 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzongkhag Administration. The unresolved significant irregularities amounting to Nu.19.306 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	0.122	0.12	-	100
2	Non-compliance to Laws and Rules	8.755	-	8.755	-
3	Shortfalls, Lapses and Deficiencies	16.637	6.086	10.551	36.58
	Total	25.514	6.208	19.306	24.33

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Mismanagement

There was a case of mismanagement amounting to Nu.0.122 million as indicated below:

1.1. INAPPROPRIATE UTILIZATION OF HOUSE RENT COLLECTION AND IRREGULARITIES THEREOF - NU.0.122 MILLION

The Dungkhag Administration, Tashichhoeling had inappropriately utilised rental collections of one storied government building leased out to BDBL and other business entities. The revenue collected from rentals were used for meeting unbudgeted activities and events of the Dungkhag Administration. Since the Dungkhag Administration did not have approval of the MoF to operate a CD Account, retaining the collections therein was inappropriate. In addition, rental collections aggregating to Nu.0.122 million were still due. *AIN: 15589; Para: 4; Accountabilities: Direct: Dil Bdr. Tamang, Accountant, EID # 200906002; Supervisory: Dil Bdr. Tamang, Accountant, EID # 200906002.*

Status: The observation was settled as the amount was deposited into government revenue account.

2. Non-compliance to Laws and Rules - Nu.8.755 million

There were cases of non-compliance to laws and rules involving Nu.8.755 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Termination of Gola town raw water supply contract works and irregularities thereof	8.755	-	8.755
2.2	Rebate not availed on procurement of cement & HDPE from the manufacturers	-	-	Settled
2.3	Non-rectifications of defective retaining walls	-	-	Settled
Total		8.755	-	8.755

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

2.1. TERMINATION OF GOLA TOWN RAW WATER SUPPLY CONTRACT WORKS AND IRREGULARITIES THEREOF - NU.8.755 MILLION

The Dungkha Administration, Tashichhoeling had terminated the contract work for construction of Raw Water Supply at Gola town with M/s Druk Tshentop Construction Pvt. Ltd, Thimphu on 2 July 2017 due to failure of the contractor in completing the works despite several reminders. Subsequently, the Dungkha Administration had attempted to carry out a joint assessment of the works actually executed at site and settle the accounts with the contractor. Following the contractor's refusal for joint assessment, the Dungkha Administration initiated the assessment of work executed at site by forming an independent committee comprising officials from DOR, Samtse, RRCO, Samtse and Dungkha Tender Committee; and worked out the net recoverable amount of Nu.8.755 million at the time of termination of contract.

Accordingly, the Dungkha Administration had notified the contractor to deposit the assessed recoverable amount on or before 22 August 2017. However, the contractor had refused to accept the assessed valuation as worked out by the joint committee. The Dungkha Administration having exhausted all measures to settle the dispute amicably had invoked the provisions of the General Conditions of Contract and lodged the case with the Arbitration Facilitation Centre, CDB, Thimphu and the case was with the Arbitration Tribunal at the time of audit in March 2018. *AIN: 15589; Para: 7; Accountabilities: Direct: Pema Wangchen, Executive Engineer, EID # 8901048; Supervisory: Pema Wangchen, Executive Engineer, EID # 8901048.*

Status: *Observation not settled. The case has been resgistered in Royal Court of Justice, Tashichhoeling.*

2.2. REBATE NOT AVAILED ON PROCUREMENT OF CEMENT & HDPE FROM THE MANUFACTURERS

The Dzungkhag Administration, Samtse had not complied with MoF circulars on procurement of cement⁶ and HDPE pipes⁷ to avail rebate offered by the manufacturers in Bhutan. The Gewogs under the Dzungkhag Administration had purchased HDPE pipes worth Nu.6.041 million for execution of RWSS and Irrigation Channel works during the FY 2016-2017.

However, the theoretical consumption estimate of HDPE pipes and cement requirement submitted to respective manufacturers and the DNP and corresponding rebate availed by the Government were not on record, nor were they made available for review and validation. The issue was also raised in prior audit for FY 2015-2016 but the Dzungkhag Administration had still failed to comply

with the requirements. *AIN: 15626; Para: 6; Accountabilities: Direct: Damcho, Asst. Engineer-I, EID # 200307025; Supervisory: Kinzang Dorji, DE, EID # 9807036.*

Status: *The observation was settled vide letter No.RAA/OAAG-Pling/Samtse-Dzo-B1/2019/438 dated 03/07/2019.*

⁶ As per the Circular No. MoF/Central Procurement/2011/4353 dated 14 July 2011 'All agencies are to note that theoretical estimate of cement consumption regardless of its project/tendered value must be sent to the respective cement manufacturer with a copy endorsed to the Director General, Department of National Property'.

⁷ As per the Circular No. MoF/Central Procurement/2011/4045 dated 13 September 2011 'All the Ministries and Autonomous Agencies are required to appoint Focal Point within their Ministry to report the cement consumption within their respective Ministry & Autonomous Agencies. The Focal Points should send their report on monthly basis to the Director General, Department of National Properties for compilation and further processing for rebate from the respective cement manufacturers'.

2.3. NON-RECTIFICATIONS OF DEFECTIVE RETAINING WALLS

The Dungkhang Administration, Dophoogchen had not rectified defective retaining walls in the construction of BHU Grade-I executed by M/s Pema Construction during 2016-2017. The retaining walls had developed cracks due to acceptance of substandard works by site engineer. *AIN: 15529; Para: 3; Accountabilities: Direct: M/s Pema Const. CDB # 1846; Supervisory: Karma Jurmi, Drungpa, EID #9208031.*

Status: *The observation was settled vide letter No. DD/Accts-03/2019-2020/2058 dated 02.02.2020.*

3. Shortfalls, Lapses and Deficiencies - Nu.10.551 million

There were cases of shortfalls, lapses and deficiencies involving Nu.16.637 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1.1	Outstanding PW and Personal Advances	3.948	3.948	-
3.1.2	Outstanding Advances	10.326	-	10.326
3.2.1	Non-reconciliation of receipt of advances for deposit work and deposits into non-revenue account and payment thereof	2.138	2.138	-
3.2.2	Non-reconciliation of receipts of refundable deposits, deposits into refundable accounts and refund thereof	-	-	Unsettled
3.2.3	Discrepancies in receipts & remittances of deposit work fund into non- revenue accounts	-	-	Settled
3.3	Non-recovery of advance payments and 20% of the value of incomplete works upon termination of contract	0.225	-	0.225
3.4	Pending construction of the Eco-Park and irregularities thereof	-	-	Unsettled
	Total	16.637	6.086	10.551

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

3.1. OUTSTANDING ADVANCES

3.1.1 PW AND PERSONAL ADVANCES - NU.3.948 MILLION

The Dzongkhag Administration, Samtse had overdue outstanding advances of Nu.17.007 million, out of which Nu.16.998 million pertained to Public Work Advances (PWA) and Nu.0.009 million pertained to Personal Advances. As of 31 March 2019, the unsettled outstanding balance amounted to Nu.3.948 million. *AIN: 15626; Para: 2; Accountabilities: Direct: Kinzang Dorji, EID # 9807036; Karma Dorji, EID # 2010015, Karma Jurmi, EID # 9208031; Namgay Tshering, EID # 2007051; Rinzin Dorji, EID 8910040; Sherab Gyeltshen, EID # 9907191; Supervisory: Kinzang Dorji, EID # 9807036; Karma Dorji, EID # 2010015, Karma Jurmi, EID # 9208031; Namgay Tshering, EID # 2007051; Rinzin Dorji, EID 8910040; Sherab Gyeltshen, EID # 9907191.*

Status: *The observation was settled from this report as the unsettled balances were carried forward to the subsequent audit report AIN No.16160 under Observation No.9 and shall be pursued from there.*

3.1.2 OUTSTANDING ADVANCES - NU.10.326 MILLION

The Dungkhag Administration, Tashichholing had overdue outstanding PW Advances of Nu.10.326 million against various contractors and suppliers for the financial year 2016-2017. *AIN: 15589; Para: 3; Accountabilities: Direct: Pema Wangchen, Executive Engineer, EID # 8901048; Supervisory: Pema Wangchen, Executive Engineer, EID # 8901048.*

Status: *Observation not settled. The case has been resgistered in Royal Court of Justice, Tashichhoeling.*

3.2. NON-RECONCILIATION OF FINANCIAL STATEMENTS

3.2.1 NON-RECONCILIATION OF RECEIPT OF ADVANCES FOR DEPOSIT WORK AND DEPOSITS INTO NON-REVENUE ACCOUNT AND PAYMENT THEREOF

During the financial year 2016-2017, the Dzongkhag Administration, Samtse had not reconciled the receipt of advances for deposit work against the deposits remitted into non-revenue account as well as the expenditures incurred thereof. There was excess deposit of Nu.6.372 million into the non-revenue account and from the Non-Revenue releases obtained from DPA, there was less payment by Nu.0.696 million.

Further, against the receipts of Nu.14.977 million on account of Security Deposits/Earnest Money recovered from contractor's RA bills, only Nu.14.440 million was found deposited into the Refundable Deposit Account leaving a balance of Nu.0.537 million. Similarly, against the Refundable releases of Nu.19.671 million, the Dzongkhag Administration had refunded security deposits of Nu.19.865 million with resultant excess refund without obtaining equivalent Refundable release of Nu.0.194 million from DPA. *AIN: 15626; Para: 1; Accountabilities: Direct: Dorji Gyeltshen, Accounts Assistant-III, EID # 200307151; Supervisory: Paras Moktan, Sr. Accounts Officer, EID # 9411005.*

Status: *The observation was settled vide letter No.RAA/OAAG-Pling/Samtse-Dzo-B1/2019/438 dated 03/07/2019 since the amount was surrendered to DPA.*

3.2.2 NON-RECONCILIATION OF RECEIPTS OF REFUNDABLE DEPOSITS, DEPOSITS INTO REFUNDABLE ACCOUNTS AND REFUND THEREOF

The Dungkhag Administration, Dophoogchen had not reconciled advances received for deposit work against the deposits remitted into the Refundable Deposit Accounts for the financial year 2016-2017. There was less deposit of Nu.0.176 million into the non-revenue account and from the Non-Revenue releases obtained from DPA, there was excess payment by Nu.0.147 million. *AIN: 15529; Para: 1; Accountabilities: Direct: Karma Jurmi, Drungpa, EID #9208031; Supervisory: Karma Jurmi, Drungpa,*

EID # 9208031.

Status: *Observation not settled.*

3.2.3 DISCREPANCIES IN RECEIPTS & REMITTANCES OF DEPOSIT WORK FUND INTO NON-REVENUE ACCOUNTS.

The Dungkhag Administration, Tashichhoeling had discrepancies in Receipts & Remittances of deposit work fund into non-revenue account for the financial year 2016-17. Against the receipts of Nu.9.804 million for deposit works during the year, the Dungkhag Administration had deposited Nu.10.810 million into the Non-revenue account with resultant excess deposit of Nu.1.006 million. Similarly, against the Non-revenue release of Nu.11.606 million obtained from DPA during the year, the Dungkhag had disbursed only Nu.10.309 million leaving a balance of Nu.1.297 million. The lapses had occurred mainly due to non-reconciliation of the Non-revenue account on a periodic basis in contravention to the FAM 2016. *AIN: 15589; Para: 1; Accountabilities: Direct: Dil Bdr. Tamang, Accountant, EID # 200906002; Supervisory: Dil Bdr. Tamang, Accountant, EID # 200906002.*

Status: *The observation was settled vide follow up Letter No.RAA/OAAG-Pling/Sip-Drung-B2/2019/683 dated 27/08/2019 as the difference amount was deposited into non-revenue account vide Dv.6.305 dated.27/06/2017.*

3.3. NON-RECOVERY OF ADVANCE PAYMENTS AND 20% OF THE VALUE OF INCOMPLETE WORKS UPON TERMINATION OF CONTRACT – NU.0.225 MILLION

The Dungkhag Administration, Tashichholing had not recovered advanced payments and 20% of the value of incomplete works upon termination of contract for the construction of retaining wall at Sherub Gatshel LSS under Norgaygang Gewog awarded to M/s. Tenzin Construction, Thimphu due to non-fulfillment of the contractual obligations by the contractor and breach of contract agreement. The contractor was paid Nu.0.413 million including 10% Mobilization Advance and 75% of the value of the material at site. The assessed value of the work done at site till the date of termination including value of the materials available at site amounted to Nu.0.188 million. The net total recoverable amount from the contractor was Nu.0.225 million.

Subsequent to the termination of the contract, the Dungkhag Administration had issued letter for settlement of the accounts by 20 July 2017. However, the contractor had failed to cooperate and the Dungkhag Administration having exhausted all measures to settle the dispute mutually and amicably, had invoked the provisions of the contract agreement and had lodged the case with the Arbitration Facilitation Centre, CDB, Thimphu. The case was with the Arbitration Tribunal at the time of audit in March 2018. *AIN: 15589; Para: 6; Accountabilities: Direct: Tashi Wangchuk, Jr. Engineer, EID # 20140103487; Supervisory: Pema Wangchen, Executive Engineer, EID # 8901048.*

Status: *Observation not settled. The case has been registered in Royal Court of Justice, Tashichhoeling.*

3.4. PENDING CONSTRUCTION OF THE ECO-PARK AND IRREGULARITIES THEREOF

The Dzongkhag Administration, Samtse had incurred a total expenditure of Nu.10.555 million in the last seven years from FY 2011-2012 to 2017-2018 for the phase-wise construction & development of Eco-Park at Lichibari under Samtse municipality. During 2016-2017 the contract for construction of water supply works and construction of water tank was awarded to M/s Jamyang P. Construction for a tendered amount of Nu.2.267 million.

However, the flooring tiles of the swimming pool was found deteriorated and there was no water connection. In addition, the construction of cafeteria was also still under progress, the workmanship on the valve chamber was of substandard quality, the storm water drain was found blocked by

mud/debris, and the changing rooms of the swimming pool was found being used as kitchen at the time of audit in March 2018. Further, due to the prolonged non-utilisation of structures and exposure to adverse weather conditions, the structures constructed previously were found showing signs of deterioration which could render the entire expenditure and efforts uneconomical and wasteful. Despite substantial financial investment there was poor work progress. There was also no definitive operational plan to ensure sustainability and maintenance of the Eco-Park after it becomes operational. *AIN: 15626; Para: 5; Accountabilities: Direct: Tenzin Dakpa, EE, Municipal In-charge, EID # 9607008; M/s Jamyang P. Construction, CDB # 2832; Supervisory: Kinzang Dorji, DE, EID # 9807036.*

Status: *Observation not settled. The Dzongkhag Administration has not yet submitted the Administration's plan of action and report on the rectification works.*

1.3.2.12 DZONGKHAG ADMINISTRATION, SARPANG

During the year, the RAA conducted one audit of the Dzongkhag Administration, Sarpang. There were 18 observations amounting to Nu.12.098 million of which 14 observations amounting to Nu.11.295 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.803 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.052 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.751 million as summarised below.

Out of the total unresolved irregularities of Nu.0.751 million reported to the Parliament in June 2019 the Dzongkhag Administration had not settled the irregularity. The unresolved significant irregularity as on 30 Sept. 2020 is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.751	-	0.751	-
	Total	0.751	-	0.751	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies - Nu.0.751 million

There was a case of shortfalls, lapses and deficiencies amounting to Nu.0.751 million as indicated below:

1.1. TERMINATION OF CONTRACT DUE TO NON-FULFILLMENT OF CONTRACTUAL OBLIGATION AND NON-REFUND OF EXCESS PAYMENT - NU.0.751 MILLION

The Dzongkhag Administration, Sarpang had not recovered excess payment of Nu.0.751 million from the contractor, upon termination of contract for the construction of Access road to Phulari Goenpa due to poor progress of the work and substantial delay beyond LD period.

The contractor, M/s Samphel Drukpa Construction was paid a total of Nu.18.846 million through seven Running Account Bills at the time of termination, but the value of work done was only Nu.9.967 million. The contractor was also provided with Mobilization advance of Nu.0.200 million. After adjusting/deducting 20% penalty on value of work not executed, 10% liquidated damages, forfeiture of retention money, forfeiture of performance guarantee, value of materials at site, value of unpaid bills, the total recoverable amount from the contractor stood at Nu.0.751 million.

The lapses had occurred mainly due to payment of RABs without verifying the actual quantities of work done, by the site engineer and failure of the site engineer to ensure the admissibility of contractor's claims. The case is sub-judice. *AIN: 15408; Para: 1.2; Accountabilities: Direct: Kinley Penjor, JE, EID # 20120100128; Kinley Giri, JE, EID # 200307188; M/s Samphel Drukpa Construction (CDB # 2625); Supervisory: Dawala, Former Dzongdag, EID 8304041; Therchung Kencho, Ex-Dzongrab, EID # 8007023; Sangay Tenzin, Chief DE, EID # 8808028; Ugyen Dorji, Planning Officer, EID # 299505035; Sonam Tshering, Drungpa, EID # 9308054; Sangay Rinchen, Accounts Officer, EID # 200801135.*

Status: Observation not settled. ATR reminder send on 7/9/2020.

1.3.2.13 DZONGKHAG ADMINISTRATION, THIMPHU

During the year, the RAA conducted two audits of the Dzongkhag Administration, Thimphu. There were 16 observations amounting to Nu.1.856 million of which 9 observations amounting to Nu.0.457 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.399 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.399 million as summarised below.

Out of the total unresolved irregularities of Nu.1.399 million reported to the Parliament in June 2019, Nu.0.514 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzongkhag Administration. The unresolved significant irregularities amounting to Nu.0.885 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	-	-	-	100
2	Mismanagement	0.851	0.311	0.540	36.55
3	Shortfalls, Lapses & Defeciencias	0.548	0.203	0.345	37.04
	Total	1.399	0.514	0.885	36.74

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Fraud, Corruption and Embezzlement

There was a case with elements of fraud, corruption and embezzlement as indicated below:

1.1. DEFECTS ON STRUCTURE DUE TO SETTLEMENT OF FOUNDATION SOIL

The Dzongkhag Administration, Thimphu had not conducted proper feasibility study of sites and had allocated defective site for the construction of Class IV Staff Quarter at Wangbama Central School under Gayney Gewog. The structure which was built on top of the loose soil disposed during excavation for the construction of Wangbama Central School had developed major cracks on the plinth area and under the floors causing detachment of timber frames in the superstructure.

Despite being aware of the risks, the Dzongkhag Administration had proceeded with the allocation of site which had resulted in the wastage of resources besides posing huge risks to the residents. In addition, the Dzongkhag Administration had not initiated any remedial measures to rectify the defects formed on the super structure and had only served a single reminder to the contractor at the time of audit in May 2018. *AIN: 15428; Para: 3; Accountabilities: Direct: Nima Norbu, EE, EID # 8908011, M/s Druk Lingshi Yangphel Construction, Chukha, CDB Registration # 2977, Trade License # 2004652; Supervisory Accountability: Chhabi Lal Das, DE, EID # 8808036.*

Status: *The observation was settled as per the follow up report issued vide RAA/FUCD(Q1)2019/2685 dated 4/11/2019.*

2. Mismanagement - Nu.0.540 million

There were cases of mismanagement involving Nu.0.851 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Non-collection of 5% rebate on procurement of HDPE pipes	0.540	-	0.540
2.2	Non-collection of land lease rent during the fiscal year 2016-2017	0.311	0.311	-
	Total	0.851	0.311	0.540

The cases of mismanagement are as indicated below:

2.1 NON-COLLECTION OF 5% REBATE ON PROCUREMENT OF HDPE PIPES - NU.0.540 MILLION

The Dzongkhag Administration, Thimphu had not collected 5% rebate on procurement of HDPE pipes amounting to Nu.0.540 million from the procurement for the Rural Water Supply Scheme under its eight gewogs. As per Contract Agreement between Ministry of Finance and domestic manufacturers, a 5% rebate was offered by the dealers/agents on pipes procured for government works.

The Dzongkhag Administration had failed to notify Bhutan Polythene Company Limited and Bhutan Plastic Industry of the Ministry of Finance's notification while issuing work order and had also failed to endorse a copy of it to the Department of National Properties, for validation of the rebate offered by the domestic manufacturers. *AIN: 15428; Para: 10; Accountabilities: Direct: Nima Norbu, EE, EID # 8908011; Tshewang Samdrup, AE, EID # 200311004; Nado Rigay, EE, EID # 8601105; Ganga Devi Chhetri, AE, EID # 201001724; Tshewang Rinchen, JE, EID # 200702003; Pema Wangda, AE, EID # 9501028; M/s Muktsen Construction, Trade License # 2007619; M/s KSD Hardware/Electricals, Trade License # 2000647; M/s Lhaki General Stores, Trade License #1000749; M/s Gangkar Construction, CDB Registration # 7354; Supervisory: Chhabi Lal Das, DE, EID # 8808036.*

Status: *Observation not settled.*

2.1. NON-COLLECTION OF LAND LEASE RENT DURING THE FISCAL YEAR 2016-2017 - NU.0.311 MILLION

The Dzongkhag Administration, Thimphu had not collected Land Lease Rent amounting to Nu.0.311 million during the Fiscal Year 2016-2017. The Dzongkhag Land Records Sector had also not served any reminders to lessees for payment of lease rent despite the expiry of due dates. Further, the Dzongkhag Land Records Section had also not executed fresh Land Lease Agreements with those lessees transferred from the Ministry of Economic Affairs and Dzongkhag Forestry Sector as specified in the notifications from National Land Commission Secretariat (NLCS). *AIN: 15428; Para: 9; Accountabilities: Direct: Tenzin Gaylay Norbu, LRO, EID # 200705083; Supervisory: Tshewang Rinzin, Dzongda, EID # 8305013.*

Status: *The observation was settled vide follow up report No. RAA/FUCD(Q1)2019/1356 dated 27/05/2019.*

3. Shortfalls, lapses and deficiencies - Nu.0.345 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.548 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1	Payment made for short-execution of work	0.339	-	0.339
3.2	Payment for work not executed at site	0.086	0.080	0.006
3.3	Excess payment due to claim of items of works at inflated rate	0.074	0.074	-
3.4	Payment made for short executed works at site	0.049	0.049	-
	Total	0.548	0.203	0.345

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

3.1. PAYMENT MADE FOR SHORT-EXECUTION OF WORK - NU.0.339 MILLION

The Dzongkhag Administration, Thimphu had made excess payment of Nu.0.339 million to the contractor for items of work short executed in the Renovation of Classrooms and Construction of Aqua Privy Toilet at Khasadrapchu MSS under Maedwang Gewog. The contractor was paid in excess of quantities actually executed at site amounting to Nu.0.613 million.

Further, the contractor was also short-paid by Nu.0.274 million due to exclusion of some quantities in the final bill and due to insufficient fund balance at the time of making final payment. The lapses had occurred due to failure on the part of the concerned site engineer and supervising engineer to ensure proper verification of contractor's bills and measurements at site prior to certifying the bills for payment indicating lack of internal controls. *AIN: 15428; Para: 1.1; Accountabilities: Direct: Tshewang Samdrup, AE, EID # 200311004; M/s Sangay Construction, Thimphu, CDB Registration # 2493, Trade License # 1018183; Supervisory: Chhabi Lal Das, DE, EID # 8808036.*

Status: *Observation not settled.*

3.2. PAYMENT FOR WORK NOT EXECUTED AT SITE - NU.0.006 MILLION

The Dzongkhag Administration, Thimphu had made excess payment of Nu.0.086 million to the contractor for items of work not executed/provided at site in the Renovation of Classrooms and Construction of Aqua Privy Toilet at KMSS under Maedwang Gewog. The lapses had occurred

apparently due to failure of the site engineer to exercise due diligence while verifying and certifying the claims of the contractor prior to releasing the payment. *AIN: 15428; Para: 1.3; Accountabilities: Direct: Tshewang Samdrup, AE, EID # 200311004 M/s Sangay Construction, Thimphu, CDB Registration # 2493, Trade License # 1018183; Supervisory: Chhabi Lal Das, DE, EID # 8808036.*

Status: *Observation partially settled. Out of the total amount of Nu.0.086 million; Nu.0.089 million was leaving a balance of Nu. 0.006 million.*

3.3. EXCESS PAYMENT DUE TO CLAIM OF ITEMS OF WORKS AT INFLATED RATE - NU.0.074 MILLION

The Dzongkhag Administration, Thimphu had made excess payment of Nu.0.074 million to the contractor in the Renovation of Classrooms and Construction of Aqua Privy Toilet at KMSS under Maedwang Gewog due to payment for items of works at an inflated rate. The contractor had quoted Nu.250.00/m³ in BOQ for item of work 'Providing and laying Random Rubble Masonry with hard stone in foundation and plinth in cement mortar' but had claimed for Nu.2,500.00/m³ in the final bill with resultant excess payment. The lapses had occurred due to failure on the part of the site engineer including the accounts personnel to exercise due diligence. *AIN: 15428; Para: 1.2; Accountabilities: Direct: Tshewang Samdrup, AE, EID # 200311004; M/s Sangay Construction, Thimphu, CDB Registration # 2493, Trade License # 1018183; Supervisory Accountability Chhabi Lal Das, DE, EID # 8808036.*

Status: *Observation partially settled. The principal amount of Nu.0.074 million was deposited vide receipt No. 428574 dated 17/5/2019, however, 24% pa accumulated penalty of Nu.8,353.61 remained unsettled.*

3.4. PAYMENT MADE FOR SHORT EXECUTED WORKS AT SITE - NU.0.049 MILLION

The Dzongkhag Administration, Thimphu had made excess payment of Nu.0.049 million to the contractor for items of work short executed at site in the construction of Integrated Water Pipeline and Water Storage Tank in Jadingkha under Maedwong Gewog. The lapses had occurred due to improper verification of the bills by the site engineer with respect to the actual quantity of work executed at site. *AIN: 15428; Para: 2.3; Accountabilities: Direct: Tshewang Samdrup, AE, EID # 200311004, M/s Pindrup Construction, Thimphu, CDB Registration # 7180, Trade License #3008129; Supervisory: Chhabi Lal Das, DE, EID # 8808036.*

Status: *Observation partially settled. The principal amount of Nu. 0.049 million was deposited vide receipt No. 428573 dated 17/5/19, however, 24% pa accumulated penalty of Nu.5,600.19 remained unsettled.*

1.3.2.14 DZONGKHAG ADMINISTRATION, TRASHIGANG

During the year, the RAA conducted seven audits of the Dzongkhag Administration, Trashigang. There were 33 observations amounting to Nu.31.630 million of which seven observations amounting to Nu.0.847 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.30.783 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.4.790 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.25.993 million as summarised below.

Out of the total unresolved irregularities of Nu.25.993 million reported to the Parliament in June 2019,

Nu.1.141 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzongkhag Administration. The unresolved significant irregularities amounting to Nu.24.852 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	-	-	-	-
2	Non-compliance of Laws & Rules	1.170	0.697	0.473	59.57
3	Shortfalls, Lapses and Deficiencies	24.823	0.444	24.379	1.79
	Total	25.993	1.141	24.852	4.39

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Fraud, Corruption and Embezzlement

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

1.1. ILLEGAL CONSTRUCTION OF TEMPORARY STRUCTURE IN THE GOVERNMENT LAND WITHIN THE EXTENDED MUNICIPAL AREA

The Dzongkhag Administration, Trashigang had failed to prevent/take actions against three individuals from encroaching and occupying state owned land below the Royal Court of Justice, Trashigang. Illegal temporary structures were found constructed on government land within the extended municipal area in contravention to the Land Rules and Regulations 2007. Two individuals were found to have occupied the area for six and ten years respectively. Another individual had occupied the area for three years and was found to be renting out the structure to tenants.

The Land Record Officer and the Dzongkhag Administration were unaware of such illegal occupation of land by individuals. The lapses had occurred apparently due to failure on the part of Land Record Section and Municipal Office to conduct regular inspection of the illegal activities undertaken within the Municipal area. *AIN: 15438; Para: 8; Accountabilities: Direct: Sangay Zam, LRO, EID # 20140103351; Pema Dechen, Municipal Engineer, EID # 200501167; Supervisory: Chekey Gyeltshen, Dzongdag, EID # 8901034.*

Status: *Observation not settled.*

2. Non-compliance to Laws and Rules - Nu.0.473 million

There were cases of non-compliance to laws and rules involving Nu.1.170 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Payment made without receiving the goods	0.606	0.606	-
2.2	Acceptance of sub-standard works	0.381	-	0.381

2.3	Non-declaration of asset on time and penalty liable thereof	0.183	0.091	0.092
2.4.1	Deferral of contract work beyond maximum period covered by liquidated damages and applicable liquidated damages thereof	-	-	Unsettled
2.4.2	Delay in execution of contract work and applicable liquidated damages	-	-	Unsettled
2.4.3	Delay in execution of work and applicable liquidated damages thereof	-	-	Unsettled
Total		1.170	0.697	0.473

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

2.1 PAYMENT MADE WITHOUT RECEIVING THE GOODS - NU.0.606 MILLION

The CARLEP under Dzongkhag Administration, Trashigang had made payment of Nu.0.606 million without receiving goods from the suppliers during the financial year 2017-2018. The, CARLEP had paid for the procurement of construction materials on 30 June 2018 but had not received the materials even at the time of audit in September 2018. The materials were to be distributed to beneficiaries under Shongphoog Gewog. In addition, the payments were found made by fabricating the documents in contradiction to the Finance and Accounting Manual 2016. The lapses had apparently occurred due to lack of internal controls. *AIN: 15608; Para: 1; Accountabilities: Direct: Devi Charan Bhandari, Sr. DAO EID # 9709001; Supervisory: Devi Charan Bhandari, Sr. DAO EID # 9709001.*

Status: *The observation was settled as the amount was deposited vide receipt No. 469655 dated 10.6.2019 and based on the review letter No. RAA/OAAG-SJ/(AR-176)CARLEP-T/Gang/2020/4145 dated 23.4.2020 & RAA/OAAG-SJ/AR-176/CARLEP-T/Gang/2020/3992 dated 27.2.2020*

2.1. ACCEPTANCE OF SUB-STANDARD WORKS – NU.0.381 MILLION

The Dzongkhag Administration, Trashigang had accepted sub-standard works worth Nu.0.381 million executed in the construction of approach road, compound fencing, gate, water supply including reservoir, intake and supply outlets for BHU Grade-II at Merag. The defective works were not found rectified at the time of audit in November 2017. *AIN: 15438; Para: 12.2; Accountabilities: Direct: Binu Bishwa Karma, Engineer, EID # 200901083; M/s Sonam KD Construction, CDB # 6203; Supervisory: Lekjay, District Engineer, EID # 9607034.*

Status: *Observation not settled.*

2.2. NON-DECLARATION OF ASSET ON TIME AND PENALTY LIABLE THEREOF - NU.0.183 MILLION

The officials of the Dzongkhag Administration, Trashigang covered under schedule I & II of the Asset Declaration Rule 2017 had failed to declare their assets on time for the calendar year ended 31 December 2016. The HR Section had also failed to take actions against late and non-declarant officials. As of 31 March 2109, amount of Nu.0.138 million has been recovered/adjusted leaving a balance of Nu.0.183 million. *AIN: 15438; Para: 6; Accountabilities: Direct: Singye Dorji, Human Resource Officer, EID No. 20160106454; Refer Accountability List in audit report; Supervisory: Pema Dorji, Dzongrab, EID No. 9607074.*

Status: *Observation partially settled. Out of Nu.0.183 million; Nu.0.091 million settled leaving a balance of Nu.0.092 million.*

2.3. NON-LEVY OF LIQUIDATED DAMAGES

2.4.1 DELAY IN EXECUTION OF CONTRACT WORK AND APPLICABLE LIQUIDATED DAMAGES

The Dzongkhag Administration, Trashigang had not enforced provisions of the General Conditions of Contract against M/s Zang Chong Construction, Zhemgang for delays and non-completion of work in the relocation of BHU Grade-II at Merag. The contract had commenced from 18 December 2015 and was scheduled to complete on 18 June 2017, but the works were found delayed by 286 days at the time of audit in March 2018. The contractor was liable for the maximum amount of liquidated damages which is 10% of the final contract price. Further, the site engineer had not maintained any hindrances report or record for the said work.

The lapses had occurred due to failure on the part of Tender Committee to initiate timely action against the contractor for non-completion of works despite extension of time beyond the maximum period covered by the provision of liquidated damages. *AIN: 15438; Para: 1.4; Accountabilities: Direct: Binu Bishwa Karma, Engineer, EID # 200901083; M/s Zang Chong construction (CDB # 7644); Supervisory: Lekjay, District Engineer, EID # 9607034.*

Status: *Observation not settled.*

2.4.2 DELAY IN EXECUTION OF CONTRACT WORK AND APPLICABLE LIQUIDATED DAMAGES

The Dzongkhag Administration, Trashigang had not enforced provisions of the General Conditions of Contract against M/s Dechen Construction, Sarpang for delays and non-completion of work in the construction of 96 bedded Girl's hostel at Bidung LSS. The contract was awarded on 30 November 2015 and was scheduled to complete on 16 April 2017, but the works were found delayed by 349 days at the time of audit in March 2018. The contractor was liable for the maximum amount of liquidated damages which is 10% of the final contract price. Further, the site Engineer had not maintained any hindrances report or record for the said work.

The lapses had occurred due to failure on the part of Tender Committee to initiate timely action against the contractor for not able to complete the work despite extension of time beyond the maximum period covered by the liquidated damages. *AIN: 15438; Para: 2.4; Accountabilities: Direct: Dorji Wangchuk, Engineer, EID #200501818; M/S Dechen Construction, CDB 1899; Supervisory: Lekjay, District Engineer, EID #9607034.*

Status: *Observation not settled.*

2.4.3 DELAY IN EXECUTION OF WORK AND APPLICABLE LIQUIDATED DAMAGES THEREOF

The Dzongkhag Administration, Trashigang had not enforced provisions of the General Conditions of Contract against M/s Dechen Construction, Sarpang for delays and non-completion of work in the construction of two-block 96-bedded hostels for boys and girls at Duntse Central School under Phongme Gewog. The contract was awarded on 18 December 2015 and was scheduled to complete on 18 June 2017, but the works were found delayed by 286 days at the time of audit in March 2018. The contractor was liable for the maximum amount of liquidated damages which is 10% of the final contract price. Further, the site Engineer had not maintained any hindrances report or record for the said work.

The lapses had occurred due to failure on the part of Tender Committee to initiate timely action against the contractor for not able to complete the work despite extension of time beyond the maximum period covered by the liquidated damages. *AIN: 15438; Para: 3.3; Accountabilities: Direct: Norbu Wangdi, Engineer, EID # 201001735; M/s Dechen Construction, CDB # 1899; Supervisory: Lekjay, District Engineer, EID # 9607034.*

Status: Observation not settled.

3. Shortfalls, Lapses and Deficiencies - Nu.24.379 million

There were cases of shortfalls, lapses and deficiencies involving Nu.24.823 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1	Payment of excessive running account bills resulted into over payment	6.177	-	6.177
3.2	Sanction of payment more than actual value of work done value had resulted in excess payment	3.669	-	3.669
3.3	Irregular sanction of PW advance to the contractor and non-realisation	3.500	-	3.500
3.4	Inadmissible payment of travel allowances	0.161	0.161	-
3.5	Non-deduction of rebate from the RA Bills	5.980	-	5.980
3.6	Release of 1 st RA Bill for works not executed	2.707	-	2.707
3.7	Excessive release of running account bills resulted in overpayment	2.154	-	2.154
3.8	Inadmissible payment of TA/DA to the field enumerators	0.282	0.091	0.191
3.9	Payment for PCC works not executed at site	0.192	0.192	-
3.10	Non-surrender/transfer of property after completion of project	-	-	Settled
Total		24.823	0.444	24.379

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

3.1. PAYMENT OF EXCESSIVE RUNNING ACCOUNT BILLS RESULTED INTO OVER PAYMENT - NU.6.177 MILLION

The Dzongkhag Administration, Trashigang had made overpayment of Nu.6.177 million to M/s Dechen Construction, Sarpang in the construction of 2 block 96 bedded hostels for boys & girls at Duntse Central School under Phongme Gewog due to payment of excessive Running Account Bills. The total payment released to the contractor was Nu.20.303 million and the value of actual work done amounted to Nu.14.125 million at the time of audit in March 2018.

The lapses had occurred due to failure on the part of the concerned site engineer and supervising engineer to ensure proper verification of contractor's bills and measurements at site prior to certifying the bills for payment indicating lack of internal controls. *AIN: 15438; Para: 3.1; Accountabilities: Direct: Norbu Wangdi, Engineer, EID # 201001735; M/s Dechen Construction, CDB # 1899; Supervisory: Lekjay, District Engineer, EID # 9607034.*

Status: Observation not settled.

3.2. EXCESS PAYMENT DUE TO WORKS LESS EXECUTED - NU.3.669 MILLION

The Dzongkhag Administration, Trashigang had made excess payment of Nu.3.669 million to M/s Dechen Construction, Sarpang in the construction of 96-bedded Girl's hostel at Bidung LSS for works less executed. Against the total work valuing Nu.7.298 million, payment of Nu.10.967 million was made to the contractor. The work was incomplete at the time of audit in March 2018.

The lapses had occurred due to failure on the part of the concerned site engineer and supervising engineer to ensure proper verification of contractor's bills and measurements at site prior to certifying the bills for payment indicating lack of internal controls. *AIN: 15438; Para: 2.1; Accountabilities: Direct: Dorji Wangchuk, Engineer, EID # 200501818; M/S Dechen Construction, CDB # 1899; Supervisory: Lekjay, District Engineer, EID # 9607034.*

Status: *Observation not settled.*

3.3. IRREGULAR SANCTION AND NON-REALISATION OF PW ADVANCE - NU.3.500 MILLION

The Dzongkhag Administration, Trashigang had sanctioned irregular PW Advances amounting to Nu.3.500 million to M/s Dechen Construction, Sarpang in the construction of 96-bedded Girl's hostel at Bidung LSS.

An advance of Nu.3.500 million was sanctioned by three-member committee comprising of Dzongrab, Dzongkhag Engineer and Accounts Officer on 22 July 2016 soon after the payment of 2nd RA bill of Nu.1.982 million on 21 July 2016. The Accounts Section had failed to deduct the advances from the subsequent RA bill which remained unrecovered as of date of audit. The lapses had occurred apparently due to non-compliance to prevailing rules. *AIN: 15438; Para: 2.2; Accountabilities: Direct: Pema Dorji, Dzongrab, EID # 9607074; Lekjay, District Engineer, EID # 9607034; Jigme, Finance Officer, EID # 20140103313; M/s Dechen Construction, CDB # 1899; Supervisory: Pema Dorji, Dzongrab, EID # 9607074; Lekjay, District Engineer, EID # 9607034; Jigme, Finance Officer, EID # 20140103313.*

Status: *Observation not settled.*

3.4. INADMISSIBLE PAYMENT OF TRAVEL ALLOWANCES - NU.0.161 MILLION

The Dzongkhag Administration, Trashigang had made inadmissible payment of Nu.3.120 million to officials on account of TA for travel within the area of 10 KM radius in contravention to the BCSR. The controlling officials had failed to exercise due diligence and necessary checks while approving the claims resulting in injudicious use of travel budget and rampant claims which were not eligible. As of 31 March 2019, recovery amounting to Nu.2.959 million was made, leaving balance of Nu.0.161 million. *AIN: 15438; Para: 13; Accountabilities: Direct: Singye Dorji, HRO, EID # 20160106454; Lekjay, DE, EID # 9607034; Pema Dechen, Engineer, EID # 200501167; Jigme, Finance Officer, EID # 20140103313; Gyembo, LRO, EID # 200803006; Dorji Rinchen, Census Officer, EID # 200901032; Tshering Penjor, Planning Officer, EID # 201104030; DC Bhandari, DAO, EID # 9709001; NS Tamang, DLO, EID # 8906075; Tshewang Dorji, DHO, EID # 7804016; Phuntsho, CDEO, EID # 9607081; Tenzin, Election Officer, EID # 2010013; Supervisory: Pema Dorji, Dzongrab, EID # 9607074.*

Status: *The observation was settled as the amounts were recovered.*

3.5. NON-DEDUCTION OF REBATES – NU.5.980 MILLION

- a) The Dzongkhag Administration, Trashigang had not deducted rebate of Nu.2.883 million offered by the contractor. M/s Dechen Construction, Sarpang had offered a lump-sum rebate of Nu.4.419 million on the quoted value of Nu.31.118 million in the construction of 2-block 96-bedded hostels for boys and girls at Dungtse Central School under Phongme Gewog. The lapses had occurred due to failure on the part of the engineering cell to exercise due diligence that resulted into non-deduction of rebate from the RA bills. *AIN: 15438; Para: 3.2; Accountabilities: Direct: Norbu Wangdi, Engineer, EID # 201001735; M/s Dechen Construction, CDB # 1899; Supervisory: Lekjay, District Engineer, EID # 9607034.*

Status: Observation not settled.

- b) The Dzongkhag Administration, Trashigang had not deducted rebates of Nu.1.297 million offered by the contractor, M/s Dechen Construction, Sarpang in the construction of 96- bedded Girl's hostel at Bidung LSS. The lapses had occurred due to lack of due diligence on the part of the concerned site engineer and Accounts Section to deduct rebate from the RA bills. *AIN: 15438; Para: 2.3; Accountabilities: Direct: Dorji Wangchuk, Engineer, EID # 200501818; M/s Dechen Construction, CDB 1899; Supervisory: Lekjay, District Engineer, EID # 9607034.*

Status: Observation not settled.

- c) Similarly, the Dzongkhag Administration, Trashigang had not deducted rebates of Nu.1.800 million offered by the contractor, M/s Zang Chong Construction. The lapses had occurred due to lack of due diligence on the part of the concerned site engineer and Accounts Section to deduct rebate from the RA bills. *AIN: 15438; Para: 1.3; Accountabilities: Direct: Binu Bishwa Karma, Engineer, EID # 200901083; M/S Zang Chong construction (CDB # 7644); Supervisory: Lekjay, District Engineer, EID # 9607034.*

Status: Observation not settled.

3.6. RELEASE OF 1ST RA BILL FOR WORKS NOT EXECUTED - NU.2.707 MILLION

The Dzongkhag Administration, Trashigang had made payment of Nu.2.707 million to M/s Zang Chong Construction, Zhemgang on account of 1st RA bill in the construction of BHU Grade-II, 3- unit staff quarter and kitchen-cum-toilet at Merag Gewog. The contract was awarded on 8 December 2015 and work scheduled to commence on 18 December 2015. However, the 1st RA bill was found submitted by the contractor on 24 December 2015, less than a week after actual commencement of work. The RA bill was found to have been fabricated as the works had barely started and yet the 1st RA bill claimed amounted to Nu.2.707 million for completed Main BHU block till roof band level; completed one panel retaining wall; and completed sub-structure works for 3-unit staff quarters and kitchen-cum-toilet till plinth level.

Despite of several levels of controls, the payments were found made to the contractor indicating extension of undue financial favour to the contractor. *AIN: 15438; Para: 1.1; Accountabilities: Direct: Sherub Singye, Officiating DE, EID # 200307037; Jigme, Finance Officer, EID # 20140103313; Binu Bishwa Karma, Engineer, EID # 200901083; M/s Zang Chong Construction, CDB # 7644; Supervisory: Pema Dorji, Dzongrab, EID # 9607074.*

Status: Observation not settled.

3.7. EXCESSIVE RELEASE OF RUNNING ACCOUNT BILLS RESULTED IN OVERPAYMENT - NU.2.154 MILLION

The Dzongkhag Administration, Trashigang had made over payment of Nu.2.154 million to M/s Zang Chong Construction, Zhemgang in the construction of BHU Grade-II, 3-unit staff quarter and kitchen-cum-toilet at Merag Gewog due to payment of RA bills without verifying the quantities of actual work done. Against the total work done of Nu.5.158 million, payment of Nu.7.312 million was made to the contractor with resultant overpayment. The work progress based on the BoQ was only 72.43% as against the gross financial disbursement of 102.69%. The work progress remained static and subsequently the contractor was terminated.

The excess payment had occurred apparently due to negligence on the part of concerned site engineer to properly verify and authenticate the physical work progress at site and admissibility of

contractor's claims. The Dzongkhag Administration had failed to initiate timely action against the contractor as per the terms and conditions of the contract when the work was delayed beyond maximum period covered by liquidated damages. *AIN: 15438; Para: 1.2; Accountabilities: Direct: Binu Bishwa Karma, Site Engineer, EID # 200901083; M/s Zang Chong Construction (CDB # 7644); Supervisory: Lekjay, District Engineer, EID # 9607034.*

Status: *Observation not settled.*

3.8. INADMISSIBLE PAYMENT OF TA/DA TO THE FIELD ENUMERATORS - NU.0.282 MILLION

The Dzongkhag Administration, Trashigang had made inadmissible payment of Nu.1.620 million to officials on account of travel allowances during the NPHC 2017. The field enumerators and supervisors had claimed the daily allowances beyond the admissible number of days and within 10 KM radius in contravention to the BCSR. The controlling officers and the Accounts personnel had failed to exercise necessary checks and certify the claims as per the prevailing rules. The inadmissible payment of travel allowances had occurred apparently due to negligence on the part of the Accounts Section and the respective controlling officials to cross verify the claims with the distance covered leading to drain of substantial amount from government resources. As of 31 March 2019, recovery amounting to Nu.1.375 million was made, leaving a balance of Nu.0.282 million. *AIN: 15438; Para: 9.1; Accountabilities: Direct:: Dorji Rinchen, Census Officer, EID # 200901032; Refer Accountability List in audit report; Supervisory: Dorji Rinchen, Census Officer, EID # 200901032.*

Status: *Observation partially settled. Out of the total amount of Nu.0.282 million; Nu.0.091 million had been recovered leaving a balance of Nu.0.191 million.*

3.9. PAYMENT FOR PCC WORKS NOT EXECUTED AT SITE - NU.0.192 MILLION

The Dzongkhag Administration, Trashigang had made inadmissible payment of Nu.0.192 million for the item of work 'laying plain cement concrete on masonry wall' not executed at site in the construction of approach road and compound fencing of BHU Grade-II at Merag Gewog. The lapse had occurred apparently due to negligence on the part of the site engineer to properly verify the contractor's bills against the quantities of work executed at site. *AIN: 15438; Para: 12.1; Accountabilities: Direct: Binu Bishwa Karma, Engineer, EID # 200901083; M/s Sonam KD Construction, CDB # 6203; Supervisory: Lekjay, District Engineer, EID # 9607034.*

Status: *The observation was settled based on the review letter No. RAA/OAAG-SJ/FUS-01/2019/3649 dated 2.9.2019.*

3.10. NON-SURRENDER/TRANSFER OF PROPERTY AFTER COMPLETION OF PROJECT

The Dzong Conservation Project, Trashigang had not surrendered/transferred property and equipment to the Dzongkhag Administration, Trashigang after the completion of project in contravention to the PMM 2016⁸. Although the Dzong was completed and handed over to the

Trashigang Dzongkhag Administration and Dratshang, the Dzong Conservation Project had retained six vehicles, a Mini Saw Mill Machine and 250 KV Transformer equipment with the project. The assets were neither surrendered/transferred to the Dzongkhag Administration nor to other similar projects at the time of audit in August 2018. *AIN: 15557; Para: 1; Accountabilities: Direct: Damchhoe Lhendup, EID # 20130101290; Supervisory: Tshering Namgay, EID # 8808109.*

Status: *The observation was settled based on the justifications provided vide letter No. DCT/TRP-05/2019-2010/432 dated 18.7.2019 and review letter No. RAA/OAAG-SJ/FUS-01/2019/3788 dated 7.11.2019.*

⁸ Sub-section 6.2.3 - "In case of transfer of a Function or Activity of Project from one Government Agency to another, all the

properties of the Function or Activity or Project shall be transferred to the Agency to which the said Function or Activity or Project is transferred"

1.3.2.15 DZONGKHAG ADMINISTRATION, TRASHIYANGTSE

During the year, the RAA conducted two audits of the Dzongkhag Administration, Trashiyangtse. There were 16 observations amounting to Nu.12.588 million of which seven observations amounting to Nu.6.323 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.6.265 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.5.350 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.915 million as summarised below.

Out of the total unresolved irregularities of Nu.0.915 million reported to the Parliament in June 2019, full amount had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzongkhag Administration. However, one significant irregularity without monetary quantification remained unresolved as on 30 Sept. 2020 as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance of Laws & Rules	0.850	0.850	-	100
2	Shortfalls, Lapses and Deficiencies	0.065	0.065	-	100
	Total	0.915	0.915	-	100

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules involving Nu.0.850 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Banance Nu. in million
1.1.1	Delay in construction of Water Supply for Khitsang New township, Doksum	-	-	Settled
1.1.2	Delay in completion of work and liable for liquidated damages	-	-	Unsettled
1.1.3	Non-levy of liquidated damages for delay in the construction	0.850	0.850	-
	Total	0.850	0.850	-

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

1.1. DELAY IN COMPLETION OF WORK AND LIABLE LIQUIDATED DAMAGES

1.1.1 DELAY IN CONSTRUCTION OF WATER SUPPLY FOR KHITSANG NEW TOWNSHIP, DOKSUM

The Dzongkhag Administration, Trashiyangtse had awarded the construction of Water supply for Khitsang new township at Doksum under Khamdang Gewog to M/s Taksing Chungdruk Construction Pvt. Ltd. on 15 January 2014 for a duration of 26 months and was to be completed by 25 March 2016. The contract was further extended for 6 months and was expected to be completed on 25 September 2016. However, the contractor had failed to complete the Water supply works despite of additional time extension and was found not completed even at the time of audit on 6 January 2018.

The contractor was paid a total of Nu.61.761 million representing 98% of the total contract price through five Running Account Bills from a total of Nu.63.675 million leaving a balance of Nu.1.915 million. Further, the contractor was also liable for maximum liquidated damages of 10% for delays of more than 100 days, as per the SCC. *AIN: 15244; Para: 3.1; Accountabilities: Direct: Tashi Rabten, AE, EID # 200807179; Supervisory: Tshering Wangchuk, DE, EID # 9307023.*

Status: *The observation was settled as LD amount of Nu.1.383 million deposited vide receipt No. 429094 of 29/01/20 and the balance amount carried forward in the current Audit Report AIN-16427, Observation 1.1.*

1.1.2 DELAY IN THE COMPLETION OF INTERNAL WATER SUPPLY PIPELINE AT DOKSUM TOWN LIABLE FOR LIQUIDATED DAMAGES

The construction of Internal Water supply Pipeline for new township at Doksum, under Khamdang Gewog awarded to M/s Dawa Zangpo at a contract amount of Nu.12.175 million was not completed on the stipulated contract period date i.e. 30/08/2017. The contractor was liable for liquidated damages as per SCC. *AIN: 15244; Para: 3.2; Accountabilities: Direct: Ugyen Zangmo, AE, EID # 200507220; Supervisory: Tshering Wangchuk, DE, EID # 9307023.*

Status: *Observation not settled.*

1.1.3. NON-LEVY OF LIQUIDATED DAMAGES FOR DELAY IN THE CONSTRUCTION - NU.0.850 MILLION

The Dzongkhag Administration, Trashiyangtse had not levied the LD aggregating to Nu.0.850 million for delays in the construction of approach road and abutment of Bailey Bridge at Parmar under Boomdeling Gewog. The construction work was awarded to M/s Banga construction for a duration of six months from 27 March 2016 to 2 October 2016. However, the contractor had failed to complete the works even after a delay of more than 14 months at the time of audit on 6 January 2018. *AIN: 15244; Para: 3.3; Accountabilities: Direct: Nima Wangdi, AE, EID # 20150105088; Supervisory: Tshering Wangchuk, DE, EID # 9307023.*

Status: *The observation was settled as LD of Nu.0.869 million was deposited along with 24% penalty vide receipt No. 469860 of 05/11/201.*

2. Shortfalls, Lapses and Deficiencies

There was a case of shortfalls, lapses and deficiencies amounting to Nu.0.065 million as indicated below:

2.1. OVERPAYMENT DUE TO NON-EXECUTION OF WORKS - NU.0.065 MILLION

The Dzongkhag Administration, Trashiyangtse had made overpayment of Nu.0.065 million to the

contractor for items of work not executed at site in the rehabilitation of water supply for Trashiyangtse town. The lapses had occurred due to failure on the part of site engineer to exercise due diligence to ensure the admissibility of contractor's claims. *AIN: 15244; Para: 1.3; Accountabilities: Direct: Dil Bdr Ghalley, JE. EID # 200508151; Supervisory: Tshering Wangchuk, DE, EID # 9307023.*

Status: *The observation was settled as the amount was recovered vide receipt No.429528 dated 16/03/2020.*

1.3.2.16 DZONGKHAG ADMINISTRATION, TRONGSA

During the year, the RAA conducted one audit of the Dzongkhag Administration, Trongsa. There were 57 observations amounting to Nu.19.364 million of which 18 observations amounting to Nu.1.215 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.18.149 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.8.450 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.9.699 million as summarised below.

Out of the total unresolved irregularities of Nu.9.699 million reported to the Parliament in June 2019, Nu.3.620 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzongkhag Administration. The unresolved significant irregularities amounting to Nu.6.079million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance of Laws & Rules	3.901	-	3.901	-
2	Shortfalls, Lapses and Deficiencies	5.798	3.620	2.178	62.44
	Total	9.699	3.620	6.079	37.32

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules - Nu.3.901 million

There were cases of non-compliance to laws and rules involving Nu.3.901 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Un-reconciled differences in the non-revenue deposit account	-	-	Unsettled
1.2	Non-recovery of 20% on value of work not completed after termination of contract	1.642	-	1.642

1.3	Non-forfeiture of 10% Performance Security	1.150	-	1.150
1.4	Payment of refundable deposit without obtaining refundable release	0.683	-	0.683
1.5	Non-recovery of 10% on value of work not completed after termination of contract	0.167	-	0.167
1.6	Non-forfeiture of 10% Performance Security	0.167	-	0.167
1.7	Non/late annual declaration of asset invite levy of penalty	0.091	-	0.091
1.8	Non-rectification of acoustic panel ceiling	-	-	Settled
1.9	Irregular grant of time extension	-	-	Settled
1.10	Acceptance of defective works	-	-	Unsettled
Total		3.901	-	3.901

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

1.1 UN-RECONCILED DIFFERENCES IN THE NON-REVENUE DEPOSIT ACCOUNT

The Dzongkhag Administration, Trongsa had un-reconciled differences in the non-revenue deposits account amounting to Nu.4.290 million for the financial year 2016-2017. Against the receipts of Nu.53.049 million from various agencies on account of Deposit Works during the year, the Dzongkhag Administration had deposited Nu.57.338 million resulting into excess deposit of Nu.4.290 million into Non-Revenue Account.

Similarly, against the deposit of Nu.57.338 million during the year, the Dzongkhag had obtained Non-revenue Releases of Nu.55.722 million. From the Non-Revenue Releases of Nu.55.722 million obtained from the Department of Public Accounts (DPA), Nu.57.126 million were found paid to various parties with resultant excess payment of Nu.1.404 million to parties without obtaining equivalent release from the DPA. *AIN: 15528; Para: 43.1 & 43.2; Accountabilities: Direct: Tshering Dawa, Accountant, EID # 2014204880; Supervisory: Sangay Chojay, Accounts Officer, EID # 20160106472.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019*

1.2 NON-RECOVERY OF 20% ON VALUE OF WORK NOT COMPLETED AFTER TERMINATION OF CONTRACT - NU.1.642 MILLION

The Dzongkhag Administration, Trongsa had not recovered Nu.1.642 million from M/s Ringdol Construction, Thimphu upon termination of contract for the construction of four-unit staff quarter, main BHU building-cum-toilet for Dangdung BHU-I. The amount was recoverable as 20% on value of work not completed at the time of termination of contract as per the Clause No. 6.3.7.2 of the PRR 2009⁹. *AIN: 15528; Para: 16.1; Accountabilities: Direct: Phuntsho Ghallay, Site Engineer, EID # 20140103513; M/s Tenzin Wangchuk Construction, CDB No.3816; Supervisory: Dorji Gyeltshen, DE, EID # 9707034.*

⁹ "The method of payment upon termination shall be prescribed in the contract. The percentage to be applied to the value of work not completed at the time of termination shall usually be twenty (20%) percent subject to a maximum limit of ten (10%) percent of the initial Contract Price".

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

1.3. NON-FORFEITURE OF 10% PERFORMANCE SECURITY - NU.1.150 MILLION

The Dzongkhag Administration, Trongsa had not recovered Nu.1.150 million from M/s Ringdol Construction, Thimphu upon termination of contract for the construction of four-unit staff quarter, main BHU building-cum-toilet for Dangdung BHU-I. The amount was recoverable as forfeiture of 10% Performance Security at the time of termination of contract as per the Clause no. 17.2 of the Standard Bidding Document¹⁰. The case is sub-judice. *AIN: 15528; Para: 16.1 & 16.2; Accountabilities: Direct: Phuntsho Ghallay, Site Engineer, EID # 20140103513; M/s Tenzin Wangchuk Construction, CDB No.3816; Supervisory: Dorji Gyeltshen, DE, EID # 9707034.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

1.4. PAYMENT OF REFUNDABLE DEPOSIT WITHOUT OBTAINING REFUNDABLE RELEASE - NU.0.683 MILLION

The Dzonkhag Administration, Trongsa had made payment of Nu.0.683 million to parties on account of refund of Refundable Deposits without obtaining equivalent release from the DPA, MoF. Further, the Dzongkhag Administration had not reconciled the deposit and payments in the Refundable Deposit Account on a regular basis and had not maintained proper records of transactions pertaining to this particular account. *AIN: 15528; Para: 42; Accountabilities: Direct: Tshering Dawa, Accountant, EID # 2014204880; Supervisory: Sangay Chojay, Accounts Officer, EID # 20160106472.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

1.5. NON-RECOVERY OF 10% ON VALUE OF WORK NOT COMPLETED AFTER TERMINATION OF CONTRACT - NU.0.167 MILLION

The Dzongkhag Administration, Trongsa had awarded the construction of farm road from Gamji to Zhiling Gonpa to M/s Jordan Construction, Trongsa. The work was scheduled from 5 February 2016 to 5 April 2017. However, the contractor had not started the work despite serving numerous reminders and warning letters by the Dzongkhag Tender Committee (DTC). Subsequently, the contract was terminated on 25 October 2017 as per the General Conditions of Contract without recovering the amount of Nu.0.167 million on account of 10% on value of work not completed liable as per the Clause no. 6.3.7.2 of the PRR 2009¹¹. *AIN: 15528; Para: 15.1; Accountabilities: Direct: Phuntsho Ghallay, Site Engineer, EID # 20140103513; M/s Jordan Construction, CDB No.3221; Supervisory: Tobgay, DE, EID # 201101170.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

1.6. NON-FORFEITURE OF 10% PERFORMANCE SECURITY - NU.0.167 MILLION

The Dzongkhag Administration, Trongsa had not forfeited Nu.0.167 million from M/s Jordan Construction, Trongsa upon termination of contract for the construction of farm road from Gamji to Zhiling Gonpa. The amount was recoverable as forfeiture of 10% Performance Security at the time of termination of contract as per the Clause no. 17.2 of the Standard Bidding Document¹². *AIN: 15528; Para: 15.2; Accountabilities: Direct: Phuntsho Ghallay, Site Engineer, EID # 20140103513; M/s Jordan Construction, CDB No.3221; Supervisory: Tobgay, DE, EID # 201101170.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

¹⁰ "If the Contractor fails to commence the works within the above stated period, the Employer may, at his sole discretion, terminate the Contract and forfeit the Performance Security".

¹¹ "The method of payment upon termination shall be prescribed in the contract. The percentage to be applied to the value of work not completed at the time of termination shall usually be twenty (20%) percent subject to a maximum limit of ten (10%) percent of the initial Contract Price".

¹²
¹² "If the Contractor fails to commence the works within the above stated period, the Employer may, at his sole discretion, terminate the Contract and forfeit the Performance Security"

1.7 NON/LATE ANNUAL DECLARATION OF ASSET INVITE LEVY OF PENALTY - NU.0.091 MILLION

The Dzongkhag Administration, Trongsa had not levied penalty amounting to Nu.0.137 million on officials who had failed to declare their assets for 2014 with the ACC. As of 31 March 2019, recovery amounting to Nu.0.046 million was made leaving balance of Nu.0.091 million. *AIN: 15528; Para: 40; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Refer Accountability Statement in audit report.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

1.7. NON-RECTIFICATION OF ACOUSTIC PANEL CEILING

a) The Dzongkhag Administration, Trongsa had not directed M/s National Builder, Bumthang, the contractor to rectify the defects noted in the acoustic panel ceiling, in the construction of 96- Bedded Hostel for boys at Sherubling Central School. The lapse had occurred due to poor workmanship and execution of substandard work and inadequate supervision and monitoring of works by the site engineers. *AIN: 15528; Para: 1.4; Accountabilities: Direct: Kuenzang Tenzin, Assistant Engineer, EID # 201001716; M/s National Builder, CDB # 2548; Supervisory: Passang Dorji, DE, EID # 8201041.*

Status: *The observation was settled vide letter No.DAT/ES-02/2019/973 dated 09/08/2019 as rectifications were done.*

1.8 b) The Dzongkhag Administration, Trongsa had not directed M/s DUDU Construction, Thimphu, the contractor to rectify the defects noted in the acoustic panel ceiling, in the construction of 96 Bedded Hostel for girls at Sherubling Central School. The defects had occurred due to poor workmanship and execution of substandard work and inadequate supervision and monitoring of works by the site engineer. *AIN: 15528; Para: 5.2; Accountabilities: Direct: Dawa Lhamo, Site Engineer, EID # 20120100124; M/s DuDu Construction, Contractor, CDB No. 7516; Supervisory: Passang Dorji, DE, EID # 8201041.*

Status: *The observation was settled vide letter No.B7/SCS/2020/3864 dated 15/04/2020 as rectifications were done.*

1.9 IRREGULAR GRANT OF TIME EXTENSION

The Dzongkhag Administration, Trongsa had granted irregular time extension to M/s SW Construction, Trongsa in the construction of Administrative block at Sherabling Central School.

The Dzongkhag Tender Committee had approved time extension for two months based on the request submitted by the contractor on 28 December 2016 citing hindrances which were not found justifiable. The lapses had occurred due to failure on part of the DTC to verify the hindrances submitted by the contractor. *AIN: 15528; Para: 2; Accountabilities: Direct: Dorji Phuntsho, JE, EID # 20140103501; M/S SW Construction, CDB 3396; Supervisory: Passang Dorji, DE, EID # 8201041.*

Status: The observation was settled vide letter No.DAT/ES-18/2019/5978 dated 20/06/2019 and No.DAT/ES-29/2017/5603 dated 10/01/2017 of the Dzongkhag Tender Committee submitted by the Dzongkhag.

1.10 ACCEPTANCE OF DEFECTIVE WORKS

a) The Dzongkhag Administration, Trongsa had accepted defective plinth protection works and internal partition walls in the construction of Dzongkhag Veterinary Hospital Office at Sherabling under Nubi Gewog. The contractor, M/s Blue Heaven Construction, Trongsa had not rectified the cracks that had developed at site in the plinth protection of the front side of the building and internal partition wall of the structure. The lapses had occurred apparently due to improper handing and taking over of completed works.

b) The Dzongkhag Administration, Trongsa had accepted defective roofing works in the construction of Dzongkhag Veterinary Hospital Office at Sherabling under Nubi Gewog. The RCC king post and side post for roof in the east side was found slightly bent with risk of collapsing posing danger to life and properties. The contractor, M/s Blue Heaven Construction, Trongsa had not rectified the defects. The lapses which had occurred due to inadequate supervision and monitoring at the time of execution and also failure on the part of the handing/taking over committee taking over the completed works. *AIN: 15528; Para: 9.3 & 9.4; Accountabilities: Direct: Phuntsho Ghalay, Site Engineer, EID # 20140103513; M/s Blue Heaven Construction, Contractor, CDB No.1174; Supervisory: Passang Dorji, DE, EID # 8201041.*

Status: Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.

2 Shortfalls, Lapses and Deficiencies - Nu.2.178 million

There were cases of shortfalls, lapses and deficiencies involving Nu.5.798 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Unsettled advances on time	2.502	2.502	-
2.2	Payment made for works not executed	0.973	-	0.973
2.3	Excess payment of pay and GPF	0.492	0.383	0.109
2.4	Non-deduction of house rent for the government houses	0.141	0.066	0.075
2.5	Non-deduction of house rent at revised rate for the government accommodation	0.080	0.060	0.020
2.6	Missing of dismantled materials	0.306	0.306	-
2.7	Double payment of daily and travel allowances	0.052	0.002	0.050
2.8	Inadmissible payment of remuneration and other benefits for the days of Extra Ordinary Leave	0.184	-	0.184
2.9	Missing of items worth	0.209	-	0.209
2.10	Excess payment of travel allowance and daily allowance due to payment at rate higher than approved rate	0.069	-	0.069
2.11	Non-accountal of electrical items	0.156	-	0.156
2.12	Non-deduction of rebates and excess payment	0.139	-	0.139
2.13	Excess payment due to acceptance of RCC work as against the PCC and for works less executed	0.107	0.107	-
2.14	Excess payment for works not executed	0.092	-	0.092

2.15	Excess payment for RCC works due to deviation of RCC thickness from the drawing	0.062	0.062	-
2.16	Payment made for item not provided at site in the construction of Vegetable Market Shed	0.054	-	0.054
2.17	Excess payment in the construction of storm water drainage	0.050	0.050	-
2.18	Excess payment in the construction of RNR Staff Quarter at Bemjee	0.048	-	0.048
2.19	Excess payment in the construction of storm drainage at Sherabling along Nubi Gewog Center road	0.042	0.042	-
2.20	Excess payment in substructure and superstructure works	0.040	0.040	-
2.21	Non-recovery of the cost for TMT bars	-	-	Unsettled
Total		5.798	3.620	2.178

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

2.1.1 UNSETTLED ADVANCES ON TIME - NU.2.502 MILLION

The Dzongkhag Administration, Trongsa had overdue outstanding advances amounting to Nu.9.666 million against various officials and parties. As of 31 March 2019, recovery/settlement amounting to Nu.7.164 million was made leaving balance of Nu.2.502 million. *AIN: 15528; Para: 44; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Refer Accountability Statement in audit report.*

Status: *The observation was settled based on the adjustment documents submitted as per letter No.DAT/ACC-06/2019/2999 dated 28/02/2029 and Voucher No.JV.2.3 dated 25/02/2019.*

2.2. PAYMENT MADE FOR WORKS NOT EXECUTED - NU.0.973 MILLION

The Dzongkhag Administration, Trongsa had made payment of Nu.0.973 million to M/s Tenzin Wangchuk Construction, Trongsa without actual execution of work at site in the construction of 4-unit staff quarters at Trongsa Hospital. The contractor was paid a total of Nu.1.500 million through RA bills as payment for the items of works up to cornices level, but items of work worth Nu.0.973 million was found not executed at site. The contract was also found delayed considerably.

The lapse had occurred apparently due to negligence on the part of the site engineer to properly verify the contractor's bills against the quantities of work executed at site. *AIN: 15528; Para: 17; Accountabilities: Direct: Phuntsho Ghallay, Site Engineer, EID # 20140103513; M/s Tenzin Wangchuk Construction, CDB # 3816; Supervisory: Dorji Gyeltshen, DE, EID # 9707034.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

2.3. EXCESS PAYMENT OF PAY AND GPF – NU.0.492 MILLION

2.3.1 EXCESS PAYMENT OF PAY AND GPF TO NEW APPOINTEES - NU.0.350 MILLION

The Dzongkhag Administration, Trongsa had made excess payment of pay and GPF amounting Nu.0.571 million to new appointees due to granting of increment in contravention to the BCSR 2012. The pay for newly appointed employees were fixed and paid by adding one increment to the revised basic pay. As of 31 March 2019, recovery amounting to Nu.0.221 million was made leaving balance

of Nu.0.350 million. *AIN: 15528; Para: 26; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Refer Accountability Statement in audit report.*

Status: *The observation was settled as per the minutes of 2nd RAA's Follow-up Committee Meeting held on 05/04/2019 based on the clarification obtained from DNB, MoF that the pay fixation was as per the pay revision notification 2014 schedule-III of the Budget Specialist.*

2.3.2 EXCESS PAYMENT OF PAY AND GPF DUE TO WRONG PAY FIXATION ON PROMOTION - NU.0.109 MILLION

The Dzongkhag Administration, Trongsa had made excess payment of pay and GPF amounting Nu.0.142 million to officials due to wrong fixation of pay on promotion in contravention to the BCSR. The salary of officials were fixed by adding one increment, when the difference between the minimum of the pay scale of the higher position level and the pay actually drawn by the official in the lower scale was exactly one increment. The lapses had occurred due to wrong fixation of pay during the promotion indicating failure on the part of HR Section to discharge responsibility diligently. As of 31 March 2019, recovery amounting to Nu.0.033 million was made leaving balance of Nu.0.109 million. *AIN: 15528; Para: 27; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Refer Accountability Statement in audit report.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

2.3.3 EXCESS PAYMENT OF PAY AND GPF DUE TO WRONG PAY FIXATION ON INCREMENT - NU.0.033 MILLION

The Dzongkhag Administration, Trongsa had made excess payment of pay and GPF amounting Nu.0.033 million to officials due to wrong pay fixation on increment in contravention to the BCSR 2006. Scrutiny of pay and allowances revealed that employees were paid increment at rate higher than the approved rate leading to excess payment of pay and GPF. The lapses had occurred due to wrong fixation of pay during the grant of increment indicating failure on the part of HR Section to discharge of responsibility diligently. *AIN: 15528; Para: 29; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Refer Accountability Statement in audit report.*

Status: *The observation was settled since the amount was not recoverable as verified by the subsequent audit team.*

2.4. NON-DEDUCTION OF HOUSE RENT FOR THE GOVERNMENT HOUSES - NU.0.141 MILLION

The Dzongkhag Administration, Trongsa had not deducted House Rent of Nu.0.447 million from the employees occupying government accommodation. As of 31 March 2019, recovery amounting to Nu.0.306 million was made leaving balance of Nu.0.141 million. *AIN: 15528; Para: 34; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Refer Accountability Statement in audit report.*

Status: *Observation partially settled. Out of Nu.0.141 million, a sum of Nu.0.066 million was recovered leaving a balance amount of Nu.0.075 million.*

2.5. NON-DEDUCTION OF HOUSE RENT AT REVISED RATE FOR THE GOVERNMENT ACCOMMODATION - NU.0.080 MILLION

The Dzongkhag Administration, Trongsa had not deducted House Rent of Nu.0.372 million from the

employees occupying government accommodation at the revised rates stated in the MoF's notification no. *MoF/DNB/Rules-2/2016-17/321* dated 28 September 2016. The revised house rent deduction rates for government accommodation came into effect from 1 October 2016. The lapses had occurred due to non-adherence to the rules and notification issued by the MoF. As of 31 March 2019, recovery amounting to Nu.0.292 million was made leaving balance of Nu.0.080 million. *AIN: 15528; Para: 32; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Refer Accountability Statement in audit report.*

Status: *Observation partially settled. Out of Nu.0.080 million; Nu.0.060 million was settled leaving a balance of Nu.0.020 million.*

2.6. MISSING OF DISMANTLED MATERIALS - NU.0.306 MILLION

The Dzongkhag Administration, Trongsa had failed to account dismantled materials at the Dzongkhag Central Store worth Nu.0.306 million including timber, CGI sheets, ridgings and plywoods. It was stated that the materials were issued to Tshangkha Central School to build the temporary hut and some materials were used during Moenlam Chenmo, however there were no records of such issue produced for verification. The lapses had occurred due to improper maintenance of the records of materials issued. *AIN: 15528; Para: 20; Accountabilities: Direct: Pema Chopel, Procurement Officer, EID # 20140504341; Supervisory: Pema Chopel, Procurement Officer, EID # 20140504341.*

Status: *The observation was settled as Nu.0.012 million was deposited vide R/No.469441 dated 07/06/2019 and the balance adjusted as per letter No.DAT/finance-06/2019/5699 dated 16/05/2019 based on the validation report furnished to the RAA.*

2.7. DOUBLE PAYMENT OF TA/DA - NU.0.052 MILLION

The Dzongkhag Administration, Trongsa had made double payment of Nu.0.224 million to officials on account of TA/DA. The officials had claimed TA/DA twice for the same travels. The lapses had occurred due to inadequate verification by respective sectors while passing the claims. As of 31 March 2019, recovery amounting to Nu.0.172 million was made leaving balance of Nu.0.052 million. *AIN: 15528; Para: 36; Accountabilities: Direct: Rinchen Dorji, JE, EID # 20130101888; Ugyen Chozom, Accountant, EID # 2107084; Supervisory: Yeshe Dorji, DE, EID # 9307017; Tshering Penjor, Finance Officer, EID # 200507266.*

Status: *Observation partially settled. Out of the total amount of Nu.0.052 million; Nu.0.002 million was settled leaving a balance of Nu.0.050 million as of 30 Sept. 2020.*

2.8. INADMISSIBLE PAYMENT OF REMUNERATION AND OTHER BENEFITS FOR THE DAYS OF EXTRA ORDINARY LEAVE - NU.0.184 MILLION

The Dzongkhag Administration, Trongsa had made inadmissible payment of Nu.0.214 million on account of remuneration and other benefits to officials on EOL, in contravention to BCSR, 2012. The payment of salary during the EOL had occurred apparently due to lack of coordination between the HR and Accounts Section. As of 31 March 2019, recovery amounting to Nu.0.029 million was made leaving balance of Nu.0.184 million. *AIN: 15528; Para: 30; Accountabilities: Direct: Jigme Dorji, GAO, EID # 9507122; Jai Bahadur Rai, EID # 201001363; Supervisory: Jigme Dorji, GAO, EID # 9507122; Jai Bahadur Rai, EID # 201001363.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

2.9. MISSING OF ITEMS WORTH - NU.0.209 MILLION

The Dzongkhag Administration, Trongsa had incurred an expenditure of Nu.1.424 million for the construction of Camp and procurement of necessary items for the camp during 109th National Day Celebrations coordinated by Dzongkhag Kidu Officer. The purchase included both expendable and non-expendable items. The physical verification of non-expendable items revealed that items worth of Nu.0.209 million were missing which included bedroom furniture, mattresses and bed linen, toilet fixtures, fittings and other items like electrical items, refrigerator, water tank and window curtains. The lapses had occurred due to lack of coordination between the handling committee and the Dzongkhag store to safeguards the items after the celebration. *AIN: 15528; Para: 18; Accountabilities: Direct: Chencho Gyeltshen, EID # 2101146; Supervisory: Chencho Gyeltshen, EID # 2101146.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

2.10. EXCESS PAYMENT OF TA/DA DUE TO PAYMENT AT RATE HIGHER THAN APPROVED - NU.0.069 MILLION

The Dzongkhag Administration, Trongsa had made excess payment of Nu.0.204 million on account of TA/DA due to payment at rate higher than the approved rate. Some officials of Dzongkhag Administration had claimed DA higher than their Position Level leading to excess payment. The Dzongkhag Administration had also paid mileage at rates higher than the rate approved by the MoF.

The lapses had occurred apparently due to inadequate verification of TA/DA bills of the employees by the officials responsible. As of 31 March 2019, recovery amounting to Nu.0.135 million was made leaving balance of Nu.0.069 million. *AIN: 15528; Para: 35; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Refer Accountability Statement in audit report.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

2.11. NON-ACCOUNTAL OF ELECTRICAL ITEMS - NU.0.156 MILLION

The Dzongkhag Administration, Trongsa had not accounted for electrical items worth Nu.0.156 million. 58 rolls of copper wire were procured for the electrification of camp during the 109th National Day Celebration. However, during physical verification there were no electrical items found at site. The Dzongkhag Administration had not exercised due diligence to ensure proper accountal and custody of copper wires. *AIN: 15528; Para: 19; Accountabilities: Direct: Chencho Gyeltshen, EID # 2101146; Supervisory: Chencho Gyeltshen, EID # 2101146.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

2.12. NON-DEDUCTION OF REBATES AND EXCESS PAYMENT - NU.0.139 MILLION

The Dzongkhag Administration, Trongsa had not deducted rebate of Nu.0.069 million offered by M/s Druk Dreams Construction, Trongsa from the contractor's bills and had instead made excess payment amounting to Nu.0.139 million to the contractor by adding the rebate amount to the bill in the construction of Indigenous Unit at Kuengarabten BHU. The excess payment had apparently occurred due to failure of the site engineer and supervising engineer in exercising due diligence while verifying the contractor's claims. *AIN: 15528; Para: 6; Accountabilities: Direct: Dawa Lhamo, Site Engineer, EID # 20120100124; M/s Druk Dreams Construction, CDB No. 5218; Supervisory: Passang Dorji, DE, EID # 8201041.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

2.13. EXCESS PAYMENT DUE TO ACCEPTANCE OF RCC WORK AS AGAINST THE PCC AND FOR WORKS LESS EXECUTED - NU.0.107 MILLION

The Dzongkhag Administration, Trongsa had made excess payment of Nu.0.107 million to M/s Denka Construction, Thimphu in the construction of Two-unit DVH staff quarter at Sherabling under Nubi Gewog. Due to acceptance of claims for RCC works instead of the PCC work provided at site, excess payment of Nu.0.048 million was made. In addition, the contractor was found paid excess amount of Nu.0.059 million for items of works not provided or less executed at site. The lapses had occurred apparently due to improper verification of works at site by responsible officials. *AIN: 15528; Para: 8.2; Accountabilities: Direct: Phuntsho Ghalay, Site Engineer, EID # 20140103513; M/s Denka Construction, Contractor, CDB No.1469; Supervisory: Passang Dorji, DE, EID # 8201041.*

Status: *The observation was settled as the amount was deposited vide receipt No. 428780 dated 14.2.2020.*

2.14. EXCESS PAYMENT FOR WORKS NOT EXECUTED - NU.0.092 MILLION

The Dzongkhag Administration, Trongsa had released payments amounting to Nu.0.092 million to the contractor before completion of item of work at site in the construction of Guest House at Samcholing Green Tea House. M/s KCJ Construction, Trongsa had not executed items of works 'marble chips flooring top layer' and 'providing & fixing glass strips' at site with resultant excess payment. The lapses had occurred due to release of payments before the actual completion of the work at site. *AIN: 15528; Para: 13.2; Accountabilities: Direct: Dawa Lhamo, Site Engineer, EID # 20120100124; M/s KCJ Construction, Contractor, CDB No.4358; Supervisory: Tobgay, DE, EID # 201101170.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

2.15. EXCESS PAYMENT FOR RCC WORKS DUE TO DEVIATION OF RCC THICKNESS FROM THE DRAWINGS - NU.0.062 MILLION

The Dzongkhag Administration, Trongsa had made excess payment of Nu.0.062 million to M/s National Builder, Bumthang, in the construction of 96-Bedded Hostel for boys at Sherubling Central School. The contractor was paid for quantities in excess of the quantities actually executed at site due to difference in the drawings and measurement book with regard to thickness of the RCC.

The lapses had occurred apparently due to improper verification of contractor's claims by the site and supervising engineer. *AIN: 15528; Para: 1.3; Accountabilities: Direct: Kuenzang Tenzin, Assistant Engineer, EID # 201001716; M/s National Builder, CDB number 2548; Supervisory: Passang Dorji, DE, EID # 8201041.*

Status: *The observation was settled as the amount was deposited vide R/No.429650 dated 03/02/2020.*

2.16. PAYMENT MADE FOR ITEM NOT PROVIDED AT SITE IN THE CONSTRUCTION OF VEGETABLE MARKET SHED - NU.0.054 MILLION

The Dzongkhag Administration, Trongsa had made payment of Nu.0.054 million to M/s Landmark Builders, Trongsa for items of works "providing and fixing terrazzo marble chips skirting" not provided at site in the construction of vegetable market shed at Trongsa town. The lapses had occurred due to improper verification of work done at site with contractor's claims. *AIN: 15528; Para: 10; Accountabilities: Direct: Dawa Lhamo, Site Engineer, EID # 20120100124; M/s Landmark Builders, Contractor, CDB No.3077; Supervisory: Tobgay, DE, EID # 201101170.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

2.17. EXCESS PAYMENT FOR THE CONSTRUCTION OF BHU GATE AND TROLLY WAY AT KUENGARABTEN - NU.0.050 MILLION

The Dzongkhag Administration, Trongsa had made excess payment of Nu.0.050 million to M/s Kuenga Construction, Trongsa in the construction of BHU gate and Trolley way at Kuengarabten. The contractor was paid in excess due to payment at rates higher than the quoted rate for the item of works 'providing and laying hammer dressed dry stone soling'. The lapse had occurred apparently due to negligence of the site engineer for failing to crosscheck the rate at the time of verifying the contractor's claims. *AIN: 15528; Para: 4; Accountabilities: Direct: Dawa Lhamo, Site Engineer, EID # 20120100124; M/s Kuenga Construction, Contractor, CDB # 1179; Supervisory: Dorji Gyeltshen, DE, EID # 9707034.*

Status: *The observation was settled as the amount was deposited vide R/No.429619 dated 26/11/2019.*

2.18. EXCESS PAYMENT IN THE CONSTRUCTION OF RNR STAFF QUARTER AT BEMJEE - NU.0.048 MILLION

The Dzongkhag Administration, Trongsa had made excess payment of Nu.0.048 million to M/s Blue Heaven Construction, Trongsa due to non-deduction of openings and non-execution of item of works in the construction of Four-Unit RNR staff quarter at Bemjee. *AIN: 15528; Para: 12; Accountabilities: Direct: Phuntsho Ghallay, Site Engineer, EID # 20140103513; M/s Blue Heaven Construction, Contractor, CDB No.1174; Supervisory: Tobgay, DE, EID # 201101170.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.*

2.19. EXCESS PAYMENT IN THE CONSTRUCTION OF STORM WATER DRAINAGE - NU.0.042 MILLION

The Dzongkhag Administration, Trongsa had made excess payment of Nu.0.042 million to M/s Tshering Zamling Construction, Gedu in the construction of Storm Water Drainage at Sherabling Area for items of work not executed at site. The lapse had occurred apparently due to failure to cross check contractor's bills with the actual work done recorded in the MB. *AIN: 15528; Para: 7; Accountabilities: Direct: Dawa Lhamo, Site Engineer, EID # 20120100124; M/s Tshering Zamling Construction, CDB No.5021; Supervisory: Passang Dorji, DE, EID # 8201041.*

Status: *The observation was settled as the amount was deposited vide receipt No.428771 dated.24/01/2019.*

2.20. EXCESS PAYMENT IN SUBSTRUCTURE AND SUPERSTRUCTURE WORKS - NU.0.040 MILLION

The Dzongkhag Administration, Trongsa had made excess payment of Nu.0.040 million to M/s Denka Construction, Thimphu in the construction of Two-Unit DVH staff quarter at Sherabling under Nubi Gewog. The contractor was found paid for excess quantities of sub-structure than the quantities specified in the drawing, and the brick wall in superstructure were paid without deducting columns. The lapse had occurred apparently due to improper verification of actual item provided at site against contractor's claims. *AIN: 15528; Para: 8.1; Accountabilities: Direct: Phuntsho Ghalay, Site Engineer, EID # 20140103513; M/s Denka Construction, Contractor, CDB No.1469; Supervisory: Passang Dorji, DE, EID # 8201041.*

Status: The observation was settled as the amount was deposited vide receipt No. 428779 dated 14.2.2020.

2.21. NON-RECOVERY OF THE COST FOR TMT BARS

The Dzongkhag Administration, Trongsa had not recovered the cost of 2,881.54 kgs of TMT Rebars sold to M/s Gyserling Construction, Trongsa as of March 2018. The lapses had occurred due to lack of follow-up on realizing the value of materials taken by the contractor. *AIN: 15528; Para: 41; Accountabilities: Direct: Kinzang Tenzin, Assistant Engineer, EID # 201001716; Supervisory: Tobgay, DE, EID # 201101170.*

Status: Observation not settled. Reminder letter issued vide letter No.RAA/FUS-01/2019/800 dated 19/08/2019.

1.3.2.17 DZONGKHAG ADMINISTRATION, TSIRANG

During the year, the RAA conducted one audit of the Dzongkhag Administration, Tsirang. There were 43 observations amounting to Nu.6.273 million of which 28 observations amounting to Nu.1.955 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion. The significant irregularities reported in the draft AAR 2018 amounted to Nu.4.318 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.2.582 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.736 million as summarised below.

Out of the total unresolved irregularities of Nu.1.736 million reported to the Parliament in June 2019, Nu.0.979 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzongkhag Administration. The unresolved significant irregularities amounting to Nu.0.757 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	0.099	-	0.099	-
2	Non-compliance of Laws and Rules	0.210	0.152	0.058	72.38
3	Shortfalls, Lapses and Deficiencies	1.427	0.827	0.600	57.95
	Total	1.736	0.979	0.757	56.39

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Mismanagement – Nu.0.099 million

There was a case of mismanagement amounting to Nu.0.099 million as indicated below:

1.1. NON-IMPOSITION OF PENALTY FOR LATE PAYMENTS – NU.0.099 MILLION

The Dzongkhag Municipal Authority, Tsirang had not imposed penalty amounting to Nu.0.099 million on account of late payments of taxes and monthly rental from tax defaulters and lessees respectively as per taxation rules and regulations and lease agreements. The Dzongkhag Municipal Authority had failed to comply and levy the fines and penalties as per the Chapter 2.2.5 Part 8 of Revenue Accounting

Manual 2004. *AIN: 15235; Para: 33; Accountabilities: Direct: Diliram Adhikari, RO, EID # 20120700719; Supervisory: Diliram Adhikari, RO, EID # 20120700719.*

Status: *Observation not settled.*

2. Non-compliance to Laws and Rules - Nu.0.058 million

There were cases of non-compliance to laws and rules involving Nu.0.210 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Payment for collapsed retaining wall	-	-	Settled
2.2	Employment/replacement of worker without approval and payment of wages	0.152	0.152	-
2.3	Short-payment to contractor	0.058	-	0.058
2.4	Non-rectification of defective works	-	-	Unsettled
2.5	Acceptance of defective works	-	-	Unsettled
	Total	0.210	0.152	0.058

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

2.1. PAYMENT FOR COLLAPSED RETAINING WALL

The Dzongkhag Administration, Tsirang had not ensured the rectification of collapsed retaining wall worth Nu.0.520 million by M/s Dorji Construction, Dagana in the construction of Retaining wall, site development and compound lighting works for 8HU, Shemjong. Against the initial height of 8 meters as per design, the height was increased to 11 meters during actual execution of wall, which attributed to design flaw with resultant collapse of the wall. The lapses had occurred apparently due to poor workmanship coupled with inadequate monitoring and supervision. *AIN: 15235; Para: 6; Accountabilities: Direct: Sita Ghalley, Engineer, EID # 200307033; Tshewang Tenzin, Principal Engineer, EID # 9009027; Supervisory: Gem Dorji, Executive Engineer, EID # 8908079.*

Status: *The observation was settled.*

2.2. EMPLOYMENT/REPLACEMENT OF WORKER WITHOUT APPROVAL AND PAYMENT OF WAGES - NU.0.152 MILLION

The Dzongkhag Municipal Authority, Tsirang had employed caretakers and sweeper for the Children Park, cleaning of drain, bus parking and market shed without appropriate approvals with resultant excess payment of wages amounting to Nu.0.152 million.

As per Muster Roll bills there were four Caretakers and one Sweeper engaged but scrutiny of records revealed that the payment of wages were found not supported by justifications for employment of workers and approval thereof. Further, the cross verification of Citizenship Identification Number did not match with that of record available in the Civil Registration and Household information evidencing the fact that the employment of caretakers were not genuine and payment of wages was therefore inadmissible. *AIN: 15235; Para: 37; Accountabilities: Direct: Tshewang Tenzin, Principle Engineer, EID # 9009027; Supervisory: Tshewang Tenzin, Principle Engineer, EID # 9009027.*

Status: *The observation was settled.*

2.3. SHORT-PAYMENT TO CONTRACTOR – NU.0.058 MILLION

The Dzongkhag Administration, Tsirang had made excess payment of Nu.0.048 million and short payment of Nu.0.106 million in the construction of Early Child Care & Development (ECCD) Centre at Goseling. The contractor was paid for quantities in excess of items of work actually executed at site with resultant excess payment of Nu.0.048 million. Also, the contractor was found short paid for some items of works which were executed but not paid for due to non-availability of fund for payment of the final bill amounting to Nu.0.106 million. After adjusting the excess payment from the short payment the Dzongkhag Administration still owed the contractor Nu.0.058 million. The lapses are indicative of lack of due diligence in checking the admissibility of claims. *AIN: 15235; Para: 8.1; Accountabilities: Direct: Karma Tshering, Junior Engineer, EID # 1020100525; Supervisory: Gem Dorji, Executive Engineer (EID # 8908079).*

Status: *Observation not settled.*

2.4 NON-RECTIFICATION OF DEFECTIVE WORKS

The Dzongkhag Administration, Tsirang had not instructed the contractor to rectify defective works noted in the construction of Zigray at Namgaycholing Dratshang. The plinth protection at the right side of the building and the retaining wall being constructed below the Zigrey including the steps had developed cracks. *AIN: 15235; Para: 7.3; Accountabilities: Direct: Gem Dorji, Executive Engineer, EID # 8908079; Supervisory: Gem Dorji, Executive Engineer, EID # 8908079.*

Status: *Observation not settled.*

2.5. ACCEPTANCE OF DEFECTIVE WORKS

The Dzongkhag Administration, Tsirang had accepted defective works in the construction of four-unit toilet and drain for Boys' Hostel at Mendrelgang Central School. The contract executed by M/s Kelzang Dee Construction of Paro had numerous defects as follows:

- ✓ transparent roofing CGI sheets were found damaged/torn;
- ✓ water supply to toilet was found disconnected and without water;
- ✓ soak-pit was not ascertainable with the area covered by stones/pebbles;
- ✓ electrical fittings were not properly fixed; and
- ✓ earthing was damaged.

The lapses had occurred due to inadequate supervision and monitoring of construction activity and failure of the handing-taking over committee to direct the contractor to rectify the works before taking over the works. *AIN: 15235; Para: 4; Accountabilities: Direct: Chaksing, Principal, EID # 2010019; Supervisory: Sangay Choephel, CDEO, EID # 9808204.*

Status: *Observation not settled.*

3. Shortfalls, Lapses and Deficiencies - Nu.0.600 million

There were cases of shortfalls, lapses and deficiencies involving Nu.1.427 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1	Irregularities in payment of travel allowances	0.142	0.079	0.063

3.2	Discrepancies in the payment of TA/DA for the 2 nd NPHC	0.083	0.083	-
3.3	Payment for supply and installation of cctv without adequate supporting documents and irregularities thereof	0.614	0.614	-
3.4	Payment made for work not executed	0.279	-	0.279
3.5	Excess payment due to short execution of works	0.258	-	0.258
3.6	Excess payment of transportation charges	0.051	0.051	-
3.7	Payment of arrears and allowances without supporting documents	-	-	Unsettled
3.8	Short/excess deduction of house rents	-	-	Unsettled
	Total	1.427	0.827	0.600

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

3.1. IRREGULARITIES IN PAYMENT OF TRAVEL ALLOWANCES - NU.0.142 MILLION

The Dzongkhag Administration, Tsirang had made excess payments amounting to Nu.1.198 million to officials on account of TA/DA. Against the total payment of Nu.20.393 million, the admissible amount worked out to Nu.19.195 million with resultant inadmissible payment of Nu.1.198 million. The disbursement of inadmissible TA/DA was not in line with the BCSR and indicated the management's failure to exercise necessary prudence in approving and in disbursing the travel claims. As of 31 March 2019, recovery amounting to Nu.1.056 million was made leaving balance of Nu.0.142 million. *AIN: 15235; Para: 18; Accountabilities: Direct: Individual list as per Annexure in Audit Report; Supervisory: Concern sector heads.*

Status: *Observation partially settled. Out of the total amount of Nu.0.142 million; Nu.0.079 million was settled leaving a balance of Nu.0.063 million as of 30 Sept. 2020.*

3.2. DISCREPANCIES IN THE PAYMENT OF TA/DA FOR THE 2ND NPHC - NU.0.083 MILLION

The Dzongkhag Administration, Tsirang had made excess/inadmissible payment of DA and porter/pony charges amounting to Nu.1.195 million for the training of enumerators and conduct of the 2nd Population and Housing Census of Bhutan. Despite having blacktopped roads in all Gewog Centres, the census Supervisors and Enumerators were found paid porter/pony charges in addition to DSA plus a lump sum amount of Nu.500.00 per day in lieu of lunch/refreshments by the Dzongkhag Administration which was found not admissible. As of 31 March 2019, recovery of Nu.1.112 million had been made leaving balance of Nu.0.083 million. *AIN: 15235; Para: 19; Accountabilities: Direct: Individual list as per Annexure in Audit Report; Supervisory: Gem Tshering, DSO, EID # 200209006.*

Status: *The observation was settled.*

3.3. PAYMENT FOR SUPPLY AND INSTALLATION OF CCTV WITHOUT ADEQUATE SUPPORTING DOCUMENTS AND IRREGULARITIES THEREOF - NU.0.614 MILLION

The Dzongkhag Administration, Tsirang had made payment of Nu.0.614 million for supply and installation of CCTV without adequate supporting documents. As per the minutes of 18th Dzongkhag Tender Committee meeting, the Dzongkhag Administration had awarded the contract for installation of CCTV to M/s TCD Traders at the same rates offered to the RBP Head Office, Thimphu.

However, the Dzongkhag Administration had not obtained the comparative statement to verify the rates. A glaring difference was noted in the rate of cameras. As per the RBP contract, the quoted

rate was Nu.0.011 million per camera, whereas the Damphu Municipality had paid Nu.0.125 million per camera. In addition, items valuing Nu.0.067 million were procured without supply order. *AIN: 15235; Para: 16; Accountabilities: Direct: Tshewang Tenzin, Principle Engineer, EID # 9009027; Supervisory: Tshewang Tenzin, Principle Engineer, EID # 9009027.*

Status: *The observation was settled.*

3.4. PAYMENT MADE FOR WORK NOT EXECUTED - NU.0.279 MILLION

The Dzongkhag Administration, Tsirang had made payment of Nu.0.279 million for items of works not executed in the construction of Zigray at Namgaycholing Dratshang. The contractor, M/s Lhanam TRM Construction, Gelephu was paid for the slab works, the suspended floor without height in the final bill. The MB and final bill indicated inadequate and improper verification of bills resulting in excess payment. The lapse had occurred due to failure of the supervising officials to exercise due diligence while verifying the final bill in terms of the actual quantities executed at site. *AIN: 15235; Para: 7.2; Accountabilities: Direct: Gem Dorji, Executive Engineer, EID # 8908079; Supervisory: Gem Dorji, Executive Engineer, EID # 8908079.*

Status: *Observation not settled.*

3.5. EXCESS PAYMENT DUE TO SHORT EXECUTION OF WORKS - NU.0.258 MILLION

The Dzongkhag Administration, Tsirang had made excess payment of Nu.0.258 million due to short execution of works in the construction of Zigray at Namgaycholing Dratshang. M/s Lhanam TRM Construction, Gelephu had claimed for excess quantities of items of work than was actually executed at site. The lapse had occurred due to failure of the supervising officials to exercise due diligence while verifying the final bill in terms of the actual quantities executed at site. *AIN: 15235; Para: 7.1; Accountabilities: Direct: Gem Dorji, Executive Engineer, EID # 8908079; Supervisory: Gem Dorji, Executive Engineer, EID # 8908079.*

Status: *Observation not settled.*

3.6 EXCESS PAYMENT OF TRANSPORTATION CHARGES - NU.0.051 MILLION

The Dzongkhag Administration, Tsirang had made excess payment of Nu.0.176 million for transport of bricks for HIMALICA project. Re-computation of the total quantities of bricks transported revealed that the load/volume was not at full capacity but the transporter had claimed for higher quantity than what was actually transported.

The Dzongkhag Administration had failed to adhere to the approved carrying capacity of various vehicles in transporting the goods within the country. The payment of transportation charges beyond the approved carrying capacity of vehicles approved by RSTA had led to excess payments. As of 31 March 2019, recovery amounting to Nu.0.125 million was made leaving balance of Nu.0.051 million. *AIN: 15235; Para: 15; Accountabilities: Direct: Sonam, ADAO, EID # 980870; Dorji Wangchuk, DLO, EID # 9608092; Supervisory: Sonam, ADAO, EID # 980870; Dorji Wangchuk, DLO, EID # 9608092.*

Status: *The observation was settled.*

3.6. PAYMENT OF ARREARS AND ALLOWANCES WITHOUT SUPPORTING DOCUMENTS

The Dzongkhag Administration, Tsirang had made payment of Nu.2.395 million on account of payment of salary arrears and allowances to officials without adequate supporting documents, contravening Clause 5.14.2.2 of Finance and Accounting Manual 2016. The lapses indicated lack of

due diligence in the preparation and disbursement of arrears and allowance by the dealing officials. *AIN: 15235; Para: 25; Accountabilities: Direct: Individual list as per Annexure; Supervisory: Wangchuk, Sr. Finance Officer, EID # 200701130.*

Status: *Observation not settled.*

3. 8. SHORT/EXCESS DEDUCTION OF HOUSE RENTS

The Dzongkhag Administration, Tsirang had made short-deduction of Nu.0.060 million and excess deduction of Nu.0.022 million from officials/occupants on account of house rent. The discrepancies had occurred mainly due to improper calculation and deduction of monthly house rents indicating weak internal controls. *AIN: 15235; Para: 26; Accountabilities: Direct: Individual list as audit report; Supervisory: Namgay Dorji, Dzongrab, EID # 9607181.*

Status: *Observation not settled.*

1.3.2.18 DZONGKHAG ADMINISTRATION, WANGDUEPHODRANG

During the year, the RAA conducted one audit of the Dzongkhag Administration, Wangduephodrang. There were 17 observations amounting to Nu.7.025 million of which six observations amounting to Nu.5.010 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion. The significant irregularities reported in the draft AAR 2018 amounted to Nu.2.015 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.1.963 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.052 million as summarised below.

Out of the total unresolved irregularities of Nu.0.052 million reported to the Parliament in June 2019, the full amount had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzongkhag Administration. However, one significant irregularity without quantification of monetary amount remained unresolved as on 30 Sept. 2020 as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.052	0.052	-	100
	Total	0.052	0.052	-	

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Shortfalls, Lapses and Deficiencies - Nu.0.052 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.052 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Outstanding advances	0.052	0.052	-
1.2	Payment for elastomeric bearings	-	-	Unsettled
	Total	0.052	0.052	-

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

1.1. OUTSTANDING ADVANCES - NU.0.052 MILLION

The Dzongkhag Administration, Wangduephodrang had overdue outstanding PW Advances amounting to Nu.0.783 million for the financial year 2016-2017. Nu.0.676 million pertained to Mobilization Advance given to M/s Pema Juney Construction Pvt. Ltd in 2015-2016, Nu.0.041 million pertained to M/s. Dhuesum Construction in 2016-2017, and Nu.0.052 million pertained to M/s Joshwa Construction in 2012-2013.

Further, the outstanding advance of Nu.0.041 million against M/s Dhuesum construction was found deducted from the contractor's final bill but wrongly credited to object code 'Other recoveries and remittances' instead of 'PWA Advance' and was found paid to the Accountant in cheque. As of 31 March 2019, outstanding advances involving Nu.0.717 million was resolved, leaving balance of Nu.0.052 million. *AIN: 15554; Para: 5; Accountabilities: Direct: Tapas Biswas, Site Engineer, CID No. 11308001154; Passang Dorji Accounts Asst., EID # 201007166; Sonam Wangchuk EID # 20120700715; M/s Pema Juney Const. Pvt Ltd. CDB # 6158/1027705; M/s Joshwa Const. CDB # 4647; Supervisory: Labchu, Dzongkhag Engineer, EID # 8601092.*

Status: *The observation was settled based on the follow-up report No.RAA/OAAG(T)FUS-01/2018-2019/0541 of 04.02.2019.*

1.2. PAYMENT FOR ELASTOMERIC BEARINGS

The Dzongkhag Administration, Wangduephodrang had made payment of Nu.0.400 million to the contractor, M/s D.W Construction, Wangdue for providing Elastomeric Bearings in the construction of RCC Girder Bridge on Gangphel-Zizi Farm Road under Phobji Gewog. However, during verification, the main girders were found having direct contact with the abutments with no space for the placement of elastomeric bearings due to which it could not be authenticated.

The Elastomeric Bearings are provided between the Main Girders and the Abutments to restrain and isolate the load bearing surface (Deck) from the support (Abutment) while permitting movement for better durability of the Girder Bridges. *AIN: 15554; Para: 14.1; Accountabilities: Direct: Kezang Wangchuk, Asst. Engineer, EID # 9507036), M/s Thukten Gyeltshen Const. CDB # 4539; Supervisory: Labchu, Dzongkhag Engineer, EID # 8601092.*

Status: *Observation not settled. Reminder send vide RAA/OAAG(T)FUS-01)2020-2021/0165 dated 07/9/2020.*

1.3.2.19 DZONGKHAG ADMINISTRATION, ZHEMGANG

During the year, the RAA conducted two audits of the Dzongkhag Administration, Zhemgang. There were 28 observations amounting to Nu.15.353 million of which 18 observations amounting to Nu.4.167million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion. The significant irregularities reported in the draft AAR 2018 amounted to Nu.11.186

million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.165 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.11.021 million as summarised below.

Out of the total unresolved irregularities of Nu.11.021 million reported to the Parliament in June 2019, Nu.5.803 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dzongkhag Administration. The unresolved significant irregularities amounting to Nu.5.218 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance of Laws & Rules	10.027	5.580	4.447	55.65
2	Shortfalls, Lapses and Deficiencies	0.994	0.223	0.771	22.43
	Total	11.021	5.803	5.218	52.65

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules - Nu.4.447 million

There were cases of non-compliance to laws and rules involving Nu.10.027 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Procurement without tender/quotation	5.580	5.580	-
1.2	Non-levy of liquidated damages	1.842	-	1.842
1.3	Short-levy of liquidated damages	1.705	-	1.705
1.4	Release of final bill without completing the works	0.900	-	0.900
1.5	Non-completion of re-habilitation works of water source from Sershong to	-	-	Settled
	Total	10.027	5.580	4.447

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

1.1 PROCUREMENT WITHOUT TENDER/QUOTATION - NU.5.580 MILLION

The Dungkhag Administration, Panbang had procured materials worth Nu.5.580 million without calling open tender as required under PRR 2009. The Education Sector had procured laptops, furniture, curtains, hardware items, and stationery based on spot quotations approved by the Dungpa.

The Dungkhag Administration had failed to follow due process of procurement and had thus, not achieved economy in the use of public resources. Further, the Dungkhag Administration had procured 17 Dell laptops from M/s Dovan Book Store, Thimphu at Nu.0.039 million each whereas the

Dzongkhag Administration's rate obtained for the same specification of laptops from M/s BD Commercial, Thimphu was Nu.0.030 million. *AIN: 15329; Para: 1; Accountabilities: Direct: Phub Gyeltshen, Adm. Asstt., EID # 200902040; Supervisory: Phub Gyeltshen, Adm. Asstt., EID # 200902040.*

Status: *The observation was settled as per the decision of the 3rd RAA's Follow-up Committee Meeting held on 03/07/2019.*

1.1. NON-LEVY OF LIQUIDATED DAMAGES - NU.1.842 MILLION

The Dzongkhag Administration, Zhemgang had accepted and taken over incomplete works in the construction of RNR Centre at Bjokha Gewog. The contract was scheduled to be completed in 15 months from 18 January 2016 to 17 April 2017. However, some items of work were found incomplete/not executed even after delay of 383 days at the time of audit in January 2018 and hence the contractor was liable for maximum liquidated damages of 10% amounting to Nu.1.842 million as per the contract document. *AIN: 15200; Para: 8.3; Accountabilities: Direct: Binod Kr. Tamang, Engineer, EID # 200407010; Supervisory: Kintu, DE, EID # 200801083.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2020/1119 dated 26/06/2020.*

1.2. SHORT-LEVY OF LIQUIDATED DAMAGES - NU.1.705 MILLION

The Dzongkhag Administration, Zhemgang had accepted and taken over incomplete works and failed to levy liquidated damages of Nu.1.705 million on the contractor, M/s S.L. Construction Pvt. Ltd. Thimphu in the construction of 200-bedded Girls Hostel at Zhemgang Central School. The contract work was scheduled to commence from 20 June 2015 and to be completed by 30 June 2016.

However, the site visit revealed that HDPE pipes were not installed, septic tank not completed and gutters were not connected to the rainwater-harvesting reservoir even at the time of audit in November 2017. The work had remained incomplete even after one year three months. Further, the contractor was liable for liquidated damages of Nu.2.006 million, but the Dzongkhag Administration had levied only Nu.0.301 million as liquidated damages for 20 days of delay with resultant short-levy of liquidated damages amounting to Nu.1.705 million. *AIN: 15200; Para: 1.2; Accountabilities: Direct: Yeshey Rinzin, Engineer, EID # 201101215; Supervisory: Kintu, DE, EID # 200801083.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2020/1119 dated 26/06/2020.*

1.3. RELEASE OF FINAL BILL WITHOUT COMPLETING THE WORKS - NU.0.900 MILLION

The Dungkhag Administration, Panbang had not recovered Nu.0.900 million from the contractor's final RA bill upon termination of contract in the construction of Fencing with Gate and Maintenance of NCH at Pangbang BHU I under Nangla Gewog. The Dungkhag Administration had released the final payment without deducting payment for works not executed, penalty on termination and material advances. The contract was terminated by the Dungkhag Tender Committee due to non-completion of work on time despite repeated reminders.

The lapses had occurred due to non-verification of work done prior to releasing the payments and making payment in excess of actual work done. *AIN: 15329; Para: 7; Accountabilities: Direct: Singye Wangchuk, AE, EID # 200507221; Supervisory: Singye Wangchuk, AE, EID # 200507221.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2020/794 dated 19/08/2020.*

1.5. NON-COMPLETION OF RE-HABILITATION WORKS OF WATER SOURCE FROM SERSHONG TO BROKSAR AND APPLICABLE LIQUIDATED DAMAGES

The Dzongkhag Administration, Zhemgang had failed to achieve the value for money in the 'Rehabilitation of existing Raw Water Main line and Laying of the main line from Sershong (new source) to Broksar Chu (existing Source)'. The contract was awarded to M/s Keebu Construction, Thimphu at the contract price of Nu.3.989 million with a contract period of four months, after having terminated the earlier contractor for fundamental breach of contract. However, the Dzongkhag Administration had not been able to achieve functionality of the water supply besides substantial delays in taking over of works even at the time of audit.

The initial contract was awarded to M/s Lhanam TRM Construction at a contract price of Nu.5.062 million, but was terminated on grounds of fundamental breach of contract. The total value of work done was computed at Nu.2.748 million representing 54.28 % of the total scope of work, leaving the balance value of work of Nu.2.314 million. The Dzongkhag Administration had imposed 20% penalty amounting to Nu.0.463 million for the remaining works on termination of contract.

The contractor vide letter no. nil dated 16 September 2016 had informed the Dzongkhag Administration to take over the completed work and the same was found received and entered in Receipt Register on the same date. The Dzongkhag Administration's Office Order to take over the completed work was found issued after a significant delay of five months vide order no. ZD/ZMC-01/2016-2017/2767 dated 1 February 2017.

However, there was no Handing/Taking over note on record and despite claims of having completed the work, the functionality of the water supply had not been ensured. There were also no documents duly endorsed by the relevant authorities, evidencing the hindrances or damages claimed to have occurred to completed works after it was taken over by the Dzongkhag Administration. *AIN: 15200; Para: 3; Accountabilities: Direct: Yeshey Rinzin, Engineer, EID # 201101215; Supervisory: Kintu, DE, EID # 200801083.*

Status: *The observation was settled based on the Review Meeting held with Hon'ble Auditor General and Dzongkhag Administration, Zhemgang on 10th January, 2020.*

2. Shortfalls, Lapses and Deficiencies - Nu.0.771 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.994 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Excess payment for works less executed	0.554	0.223	0.331
2.2	Payment for works not executed	0.244	-	0.244
2.3	Payment made for the work not executed at site	0.196	-	0.196
	Total	0.994	0.223	0.771

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

2.1. EXCESS PAYMENT FOR WORKS LESS EXECUTED - NU.0.554 MILLION

The Dzongkhag Administration, Zhemgang had made excess payments amounting to Nu.0.554 million to the contractor in the construction of 200-bedded boys Hostel at Zhemgang Central School. The excess payment had occurred due to improper verification of bills with respect to the actual quantity of work executed at site with resultant differences in the quantity of items actually executed

at site and the quantity paid for in the Plinth protection and RRM works. *AIN: 15200; Para: 4.1; Accountabilities: Direct: Yeshey Rinzin, Engineer, EID # 201101215; Supervisory: Kintu, DE, EID # 200801083.*

Status: *Observation partilly settled. Out of Nu.0.554 million; Nu.0.223 million was settled leaving a balance of Nu.0.331 million.*

2.2. PAYMENT FOR WORKS NOT EXECUTED - NU.0.244 MILLION

The Dzongkhag Administration, Zhemgang had made excess payments amounting to Nu.0.244 million to the contractor for items of work not executed in the construction of RNR Centre at Bjokha Gewog. The excess payment had occurred due to improper verification of the bills with respect to the actual quantity of work executed at site with resultant differences in the quantity of items actually executed at site and the quantity paid for in the Plinth protection works, staff quarters, site development works, RRM wall and Approach Road. *AIN: 15200; Para: 8.2; Accountabilities: Direct: Yeshey Rinzin, Engineer, EID # 201101215; Supervisory: Kintu, DE, EID # 200801083.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2020/1119 dated 26/06/2020.*

2.3. PAYMENT MADE FOR THE WORK NOT EXECUTED - NU.0.196 MILLION

The Dzongkhag Administration, Zhemgang had made inadmissible payments amounting to Nu.0.196 million to the contractor for items of work not executed in the construction of RNR Centre at Bjokha Gewog. The contractor had not executed Brick Masonry manhole in cement mortar, soak pit, not provided power cables. The lapses had occurred due to inadequate supervision and improper verification of contractor's bill by the site engineer and the supervising official. *AIN: 15200; Para: 8.1; Accountabilities: Direct: Binod Kumar Tamang, Engineer, EID # 201101215; Supervisory: Kintu, DE, EID # 200801083.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2020/1119 dated 26/06/2020.*

1.3.3 GEWOGS

1.3.3.1 GEWOGS ADMINISTRATION UNDER CHHUKHA DZONGKHAG

I. BJACCHO

During the year, the RAA conducted one audit of the Gewog Administration, Bjachho under Chhukha Dzongkhag. There were two observations amounting to Nu.0.107 million of which one observation amounting to Nu.0.011 million did not qualify for inclusion in the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.096 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.096 million as summarised below.

Out of the total unresolved irregularity of Nu.0.096 million reported to the Parliament in June 2019, the same had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The irregularity which was settled as on 30 Sept. 2020 is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.096	0.096	-	100
	Total	0.096	0.096	-	

The details of the irregularity reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies – Nu.0.096 million

The case of shortfalls, lapses and deficiencies amounted to Nu.0.096 million as indicated below:

1.1. OUTSTANDING PW ADVANCES - NU.0.096 MILLION

The Gewog Administration, Bjaccho had overdue PW Advances amounting to Nu.0.096 million lying unadjusted against contractors as on 30 June 2017 due to inadequate follow-up of advances on time.

AIN: 15376; Para: 1; Accountabilities: Direct: Penjor Dorji, Gup, CID # 10202000027; Supervisory: Penjor Dorji, Gup, CID # 10202000027.

Status: *The observation was settled vide letter No. RAA/OAAG-Pling/SCE-C5/2020/318 dated 23.06.2020 based on the decision of the 5th Follow-up Committee meeting held on 1st June 2020.*

II. BONGO

During the year, the RAA conducted one audit of the Gewog Administration, Bongo under Chhukha Dzongkhag. There were two observations amounting to Nu.0.026 million of which one observation amounting to Nu.0.026 million did not qualify for inclusion in the draft AAR 2018.

The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

The irregularity reported under Non-compliance of Laws and Rules had not been settled by the Gewog Administration. The significant irregularity which remained unresolved as on 30 Sept. 2020 is as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance of Laws and Rules	-	-	-	-
	Total	-	-	-	

The details of unsettled irregularity reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

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

1.1. DEFECTS OBSERVED IN CONSTRUCTION OF PERMANENT STRUCTURES AT GEDU-BOERI FARM ROAD

The Gewog Administration, Bongo had not rectified defects noted in the construction of permanent structures at Gedu-Boeri farm road by M/s Tashi Construction, Chhukha as under:

- a) RRM wall valuing Nu.0.095 million was found collapsed apparently due to poor workmanship;
- b) Portion of causeway worth Nu.0.035 million attached to the retaining wall was found damaged. It was found constructed without RCC, which was required as per specifications and drawing;
- c) Hume pipes provided did not have collar at the joints for cross drainage; and
- d) Hammer dressed stone edging were not provided as per the specifications in some stretch of the farm road due to which the hand packed stone soling and granular sub-base course (GSB) were found eroded at several stretches of the road within the short period of time.

The lapses had occurred mainly due to poor workmanship and inadequate supervision and monitoring of site at the time of execution by the site engineer leading to non-achievement of value for money. *AIN: 15374; Para: 1a; Accountabilities: Direct: Dewas Biswa, JE, EID # 20140103469; Supervisory: Tshering Nidup, Gup, CID #10203002306.*

Status: Observation not settled.

III. DARLA

During the year, the RAA conducted one audit of the Gewog Administration, Darla under Chhukha Dzongkhag. There were five observations amounting to Nu.0.792 million of which observations amounting to Nu.0.049 million was either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.743 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.743 million as 140ummarized below.

Out of the total unresolved irregularities of Nu.0.743 million reported to the Parliament in June 2019, all the irregularities had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the same are as 140ummarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance of Laws and Rules	0.743	0.743	-	100
	Total	0.743	0.743	-	

The details of the irregularities which had been settled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules amounting to Nu.0.743 million as 140ummarized below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Payment made without rate analysis	0.743	0.743	-
1.2	Defective work in the construction of Farm Road	-	-	Settled
	Total	0.743	0.743	-

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

1.1. PAYMENT MADE WITHOUT RATE ANALYSIS - NU.0.743 MILLION

The Gewog Administration, Darla had not carried out rate analysis for item of work 'Excavation of road formation/trace/box cutting with excavator in all types of soil and rocks including separate disposition of soil, rock and stones within 50 mts etc.' which had exceeded the limit by more than twenty percent (20%) of the initial price in contravention to the GCC¹³ with resultant financial implication of Nu.0.743 million. The lapses had occurred due to failure on the part of the supervising officer and site engineer to carry out rate analysis for item(s) which had exceeded 1% of initial contract value as required by the GCC before releasing the payment to contractor. *AIN: 15405; Para: 4a; Direct: Accountabilities: Direct: Rupa Gurung, Engineer, EID # 200307013; Supervisory: Mil Kumar Monggar, Gup, CID # 10205005231.*

¹³ Section V ' Clause 38 stipulates that "If the final quantity of the work done differs from the quantity in the Bills of Quantities for the particular item by more than twenty percent (20%) provided the cost of variation beyond twenty percent (20%) limit exceeds one percent (1%) of the initial contract value the employer shall adjust the quoted rate up or down to allow for the change. Only when both conditions are met then the quoted rate shall be changed".

Status: *The observation was settled vide letter No. RAA/OAAG-Pling/Dar-Gw-A6/2019/262 dated 1.5.2019 as the payment was made to Drunkhag Administration.*

1.2. DEFECTIVE WORK IN THE CONSTRUCTION OF FARM ROAD

The Gewog Administration, Darla had not rectified defects noted in the Rupang to Samarchen Farm Road. The farm road was found blocked and damaged at several stretches depriving the community from availing timely benefit of farm road connectivity. The lapses had occurred mainly due to poor workmanship, inadequate supervision and monitoring by the dealing official, and failure on the part of the supervising officer to exercise necessary checks to ensure the quality of work done at site. *AIN: 15405; Para: 4b; Accountabilities: Direct: Rupa Gurung, Engineer, EID # 200307013; Supervisory: Mil Kumar Monggar, Gup, CID # 10205005231.*

Status: *The observation was settled vide letter No. RAA/OAAG-Pling/Dar-Gw-A6/2019/262 dated 1.5.2019 as the payment was made to Drunkhag Administration.*

IV. GELING

During the year, the RAA conducted one audit of the Gewog Administration, Geling under Chhukha Dzongkhag. There were two observations amounting to Nu.0.078 million of which one observation amounting to Nu.0.022 million did not qualify for inclusion in the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.056 million. The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.056 million as summarised below.

Out of the total unresolved irregularities of Nu.0.056 million reported to the Parliament in June 2019, the same had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and

responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance of Laws and Rules	0.056	0.056	-	100
	Total	0.056	0.056	-	

The details of the irregularity which had been settled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

The case of non-compliance to laws and rules amounted to Nu.0.056 million as indicated below:

1.1. RELEASE OF PAYMENT FOR WORK NOT EXECUTED - NU.0.056 MILLION

The Gewog Administration, Geling had made payment of Nu.0.056 million for items of work not executed at site in the improvement of Farm Road from Chongaykha to Amrigang. M/s Dawa Dhendup Construction had not provided TMT reinforcement bars for RCC works and had not constructed gabion wall as per drawings. The release of payment for item of work not executed at site is indicative of passing the contractor's claim without verifying the admissibility of claims. *AIN: 15409; Para: 1; Accountabilities: Direct: Sangay Dorji, Engineer, EID # 20160106537; Supervisory: Phub Dorji, Gup, CID # 10207401537.*

Status: *The observation was settled as the amount was deposited vide receipt No. 456971 dated 22.5.2019 and 456972 dated 22.5.2019.*

1.3.3.2 GEWOGS ADMINISTRATION UNDER MONGGAR DZONGKHAG

I. BALAM

During the year, the RAA conducted one audit of the Gewog Administration, Balam under Monggar Dzongkhag. There were four observations amounting to Nu.0.294 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.294 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.294 million as summarised below.

Out of the total unresolved irregularities of Nu.0.294 million reported to the Parliament in June 2019, Nu.0.245 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The unresolved significant irregularities amounting to Nu.0.049 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	0.049	-	0.049	-
2	Non-compliance of Laws and Rules	-	-	-	-
3	Shortfalls, Lapses and Deficiencies	0.245	0.245	-	100
	Total	0.294	0.245	0.049	83.33

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Fraud, Corruption and Embezzlement - Nu.0.049 million

The case with elements of fraud, corruption and embezzlement involving Nu.0.049 million is as indicated below:

1.1. RELEASE OF PAYMENTS WITHOUT RECEIVING GOODS - NU.0.049 MILLION

The Gewog Administration, Balam had made payment of Nu.0.049 million to M/s Lamla Sales & Services for procurement of two printers without receiving the goods. The supply order was placed on 5 November 2016 and the payment made on 14 June 2017, however the printers were not received as of date of audit. The lapses had occurred apparently due to failure of the Gewog Administration to comply with the Financial and Procurement norms. *AIN: 15700; Para: 2; Accountabilities: Direct: Sangay Dakpa, LPS, EID # 200407218; Supervisory: Lungten, Gup, CID # 10701000195.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/808 dated 19/08/2019.*

2. Non-compliance to Laws and Rules

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

2.1. NON-RECTIFICATION OF DEFECTIVE WORKS IN VARIOUS FARM ROAD

The Gewog Administration, Balam had not instructed M/s Dhenzang Hiring Unit, Monggar to rectify defective works noted in the construction of various farm roads under the Gewog. From the nine farm roads constructed, three farm roads from Dorum to Nacheluwang/Khepsing, Lower Jadung farm road and Upper Balam farm road were not pliable. The lapses had occurred apparently due to negligence on the part of the Gewog Administration and site engineer to monitor and supervise at the time of execution. *AIN: 15700; Para: 3; Accountabilities: Direct: Prem Bdr. Ghalley, AE, EID # 2012100120; M/s Dhenzang Hiring Unit, Monggar, Lic. No. 6008651; Supervisory: Lungten, Gup, CID # 10701000195.*

Status: *Observation not settled.*

3. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies amounting to Nu.0.245 million is as indicated below:

3.1. DISCREPANCIES NOTED IN BROAD HEAD 9.F – OTHERS - NU.0.245 MILLION

The Gewog Administration, Balam had unreconciled difference of Nu.0.166 million under object code 96.01 'Security & Earnest Money' for the year ended 30 June 2017. The Receipts & Payments Statement reflected a balance of Nu.0.491 million from which Nu.0.246 million was found retained with the DPA, MoF and Nu.0.040 million was found refunded to parties and Nu.0.039 million credited from object code 89.02 with resultant difference of Nu.0.166 million.

In addition, the sum of Nu.0.040 million and Nu.0.039 million were found wrongly booked requiring rectification. The differential amount was found retained from the contractors' bills and deposited into the Refundable Deposit Account. Further, the funds were found not released by the DPA for further refund to contractor, and the same were not included in the balance list of DPA. There were also instances wherein the security deposits were received and accordingly credited but were not refunded. The lapses had occurred apparently due to failure on the part of the accounts personnel to abide by the FRR. *AIN: 15700; Para: 1; Accountabilities: Direct: Karma Tenzin, Accountant, EID # 200807263; Supervisory: Lungten, Gup, CID # 10701000195.*

Status: *The observation was settled during the visit of the Hon'ble Auditor General to Monggar Dzongkhag & Gewogs on 02/11/2019 as the system was rectified with introduction of e-PEMS.*

II. CHAGSAKHAR

During the year, the RAA conducted one audit of the Gewog Administration, Chagsakhar under Monggar Dzongkhag. There were ten observations amounting to Nu.4.467 million of which two observations amounting to Nu.0.027 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.4.440 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.1.600 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.2.840 million as summarised below.

Out of the total unresolved irregularities of Nu.2.840 million reported to the Parliament in June 2019, Nu.1.340 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The unresolved significant irregularities amounting to Nu.1.500 million as on 30 Sept. 2020 is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	1.500	-	1.500	-
2	Shortfalls, Lapses and Deficiencies	1.340	1.340	-	100
	Total	2.840	1.340	1.500	47.18

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Fraud, Corruption and Embezzlement - Nu.1.500 million

The case with elements of fraud, corruption and embezzlement involving Nu.1.500 million is as indicated below:

1.1. PAYMENT MADE FOR WORKS NOT EXECUTED – NU.1.500 MILLION

The Gewog Administration, Chagsakhar had made payment of Nu.1.500 million for works not executed in the renovation of Yakdue Lhakhang. The contract for “Debri Painting” was awarded to Community Contractor at lump sum amount of Nu.1.500 million on 29 November 2016 and the work was taken over by the Gewog Administration on 22 May 2017 and payment disbursed on 23 May 2017. The debri painting works was found not executed at all during audit in April 2018. *AIN: 15701; Para: 4.3; Accountabilities: Direct: Karma Wangmo, AE, EID # 20120100117; Sonam Jamtsho, Community Contractor, CID #10703002720; Supervisory: Pema Dorji, Gup, CID # 10703001090.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/807 dated 19/08/2019.*

2. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies amounting to Nu.1.340 million as indicated below:

2.1. UN-RECONCILED AMOUNT UNDER “96.01: SECURITY & EARNEST MONEY” – NU.1.340 MILLION

The Gewog Administration, Chagsakhar had unreconciled difference amounting to Nu.1.297 million under 96.01 ‘Security & Earnest Money’ for the year ended 30 June 2017. The Receipts & Payments Statement reflected a balance of Nu.1.297 million from which Nu.0.531 million was found retained with the DPA, MoF and Nu.0.603 million was found refunded to parties during the financial year 2017-18. In addition, the sum of Nu.0.112 million and Nu.0.069 million were found wrongly booked requiring rectification. The actual difference amount of Nu.0.206 million was neither found retained with the DPA, nor refunded to the contractors. Further, payments of Nu.0.009 million, Nu.0.112 million and Nu.0.649 million were found wrongly booked with resultant further difference of Nu.0.043 million due to non-reconciliation. The lapses had occurred apparently due to failure on the part of the accounts personnel to carry out the accounting treatment with proper classification and retention monies of contractors and closed work amounts under wrong accounting heads in deviation to the FRR. *AIN: 15701; Para: 1.1 & 1.3; Accountabilities: Direct: Dawa Tshering, Accountant, EID # 200907186; Supervisory: Pema Dorji, Gup, CID # 10703001090.*

Status: *The observation was settled during the visit of the Hon'ble Auditor General to Monggar Dzongkhag & Gewogs on 02/11/2019 as the system was being rectified with the introduction of e-PEMS.*

III. CHHALING

During the year, the RAA conducted one audit of the Gewog Administration, Chhaling under Monggar Dzongkhag. There were two observations amounting to Nu.0.190 million of which one observation amounting to Nu.0.026 million did not qualify for inclusion in the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.164 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.164 million as summarised below.

Out of the total unresolved irregularities of Nu.0.164 million reported to the Parliament in June 2019,

the same had not been settled as on 30 Sept. 2020 by the Gewog Administration. The details are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.164	-	0.164	-
	Total	0.164	-	0.164	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies - Nu.0.164 million

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

1.1. CONSTRUCTION OF CHULIBI FARM ROAD AND UNDER PAYMENT - NU.0.164 MILLION

The Gewog Administration, Chhaling had made under payment of Nu.0.164 million to the contractor, M/s R.Z Construction, Thimphu for the construction of Chulibi farm road. *AIN: 15703; Para: 2; Accountabilities: Direct: Namgang Lhamo, JE, EID # 201101212; Supervisory: Tashi Dhendup, Gup, CID # 10702001856.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/805 dated 19/08/2019.*

IV. DRAMEDTSE

During the year, the RAA conducted one audit of the Gewog Administration, Drametse under Monggar Dzongkhag. There were two observations amounting to Nu.0.201 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.201 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.201 million as summarised below.

Out of the total unresolved irregularities of Nu.0.201 million reported to the Parliament in June 2019, the same had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.201	0.201	-	100
	Total	0.201	0.201	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies involving Nu.0.201 million is as indicated below:

1.1. UN-RECONCILED AMOUNT UNDER “96.01: SECURITY & EARNEST MONEY” AND “96.03: OTHERS” - NU.0.201 MILLION

The Gewog Administration, Dramebtse had unreconciled difference of Nu.0.038 million under object code 9.f ‘Other Deposits’ for the year ended 30 June 2017. The Receipts & Payments Statement reflected a balance of Nu.0.648 million from which Nu.0.418 million was found retained with the DPA, MoF and Nu.0.192 million was found refunded to parties with resultant difference of Nu.0.038 million. Some of the fund balances pertained to the financial year 2010- 2011.

In addition, payments released were found wrongly booked under object code 96.03 ‘Others’ instead of 96.01. The differential amount was found retained from the contractors’ bills and deposited into the Refundable Deposit Account. Further, the funds were found not released by the DPA for further refund to contractor, and the same were not included in the balance list of DPA. There were also instances wherein the security deposits were received and accordingly credited but were not refunded. The lapses had occurred apparently due to failure on the part of the accounts personnel to carry out the accounting treatment with proper classification as per the FRR. *AIN: 15698; Para: 1.1 & 1.2; Accountabilities: Direct: Karma Tenzin, Accountant, EID # 200807263; Supervisory: Kinzang Tshering, Gup, CID # 10704000961.*

Status: *The observation was settled during the visit of the Hon’ble Auditor General to Monggar Dzongkhag & Gewogs on 02/11/2019 as the system was rectified with introduction of e-PEMS.*

V. DREPONG

During the year, the RAA conducted one audit of the Gewog Administration, Drepong under Monggar Dzongkhag. There was one observation amounting to Nu.0.096 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.096 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.096 million as summarised below.

Out of the total unresolved irregularities of Nu.0.096 million reported to the Parliament in June 2019, all had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details are as summarised below

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.096	0.096	-	100
	Total	0.096	0.096	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

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

1.1. DISCREPANCIES NOTED IN BROAD HEAD 9.F – OTHER DEPOSITS – NU.0.096 MILLION

The Gewog Administration, Drepong had unreconciled difference of Nu.0.096 million and instances of wrong booking under the broad head account 9.f 'Other Deposits' for the year ended 30 June 2017. Some of the balances were found carried forward from financial year 2009-2010 from the erstwhile BAS system to PEMS and the amount is still not refunded till date. The lapses had occurred apparently due to failure on the part of the accounts personnel to carry out the accounting treatment with proper classification resulting into wrong entries of 10% retention monies of contractors under wrong accounting heads in deviation to the FRR. *AIN: 15706; Para: 1; Accountabilities: Direct: Tenzin Phuntsho, Accountant, EID # 200807009; Supervisory: Sangay Tenzin, Gup, CID # 10704001845.*

Status: *The observation was settled during the visit of the Hon'ble AG to Mongar Dzongkhag & Gewogs on 02/11/2019 as the system was rectified with introduction of e-PEMS.*

VI. JURMED

During the year, the RAA conducted one audit of the Gewog Administration, Jurmed under Monggar Dzongkhag. There were five observations amounting to Nu.1.764 million of which two observations amounting to Nu.0.039 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.725 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.725 million as summarised below.

Out of the total unresolved irregularities of Nu.1.725 million reported to the Parliament in June 2019, all the irregularities had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	1.513	1.513	-	100
2	Shortfalls, Lapses and Deficiencies	0.212	0.212	-	100
	Total	1.725	1.725		

The details of unsettled irregularities reported to the Parliament in June 2019 which were settled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules involving Nu.1.513 million are as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Short levy of liquidated damages	0.034	0.034	-
1.2	Irregular grant of time extension and non-levy of penalty	1.479	1.479	-
	Total	1.513	1.513	-

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

1.1. SHORT LEVY OF LIQUIDATED DAMAGES – NU.0.034 MILLION

The Gewog Administration, Jurmed had short levied liquidated damages of Nu.0.034 million to M/s Thunlam Construction, Monggar in the construction of Chamkhang, Zigrey and Pit Toilet at Ugyen Gatshel Lhakhang. The due date for completion was on 2 August 2016 but the work was completed only on 17 September 2016 with a delay of 46 days, but the Gewog had levied liquidated damages of Nu.0.014 million for delays of 15 days on initial contract price instead of levying for 46 days on the final contract amount with resultant short levy of LD. *AIN: 15708; Para: 2.1; Accountabilities: Direct: Amber Bdr. Pradhan, JE, EID # 20131003027; M/s Thunlam Construction, Monggar, CDB # 6679; Supervisory: Rinchen Gyelpo, Gup, CID # 10707000850.*

Status: *The observation was settled based on the justifications furnished vide letter No.MD/DES-16/2019/20 dated 21/08/2019 & JM/ADMN/35/2019/2280 dated 13/09/2019 of the Dzongkhag Tender Committee.*

1.2. IRREGULAR GRANT OF TIME EXTENSION AND NON-LEVY OF PENALTY – NU.1.479 MILLION

The Gewog Administration, Jurmed had not levied penalty of Nu.1.479 million and had granted irregular time extension to M/s Ringdrel Construction Private Limited, Thimphu for the construction of Bri-Kurtokey-Tsellem and Menchang Farm Road. The scheduled date of completion was 22 June 2017 but was deferred to 5 October 2017. However, the works were not completed even on the extended time of 5 October 2017 and the handing and taking over note did not specify the taking over date. As per the reminder letter issued to the contractor by the District Engineer on 6 October 2017, the completed work was stated as 80%, but the completion report was found submitted three days later. The final RA bill amounting to Nu.0.377 million was found paid only on 24 May 2018, clearly indicating that works were not completed as reported. *AIN: 15708; Para: 3; Accountabilities: Direct: Amber Bdr. Pradhan, JE, EID # 20131003027; M/s Ringdrel Construction Pvt Ltd, Thimphu, CDB #4637; Supervisory: Rinchen Gyelpo, Gup, CID # 10707000850.*

Status: *The observation was settled as an amount of Nu.9,719.50 was deposited vide R/No.469341 dated 29/03/2019 and the balance settled based on the justification furnished vide letter No.MD/DES-16/2019/20 dated 21/08/2019 & JM/ADMN/35/2019/2280 dated 13/09/2019 by the Dzongkhag Tender Committee.*

2. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies involving Nu.0.212 million is as indicated below:

2.1. DISCREPANCIES NOTED IN BROAD HEAD 9.F – OTHER DEPOSITS – NU.0.212 MILLION

The Gewog Administration, Jurmed had unreconciled difference of Nu.0.212 million under the broad

head account 9.f 'Other Deposits' for the year ended 30 June 2017. The differential amount on account of retention money were neither refunded nor deposited with the DPA. The lapses had occurred apparently due to failure on the part of the accounts personnel to abide by the FRR. *AIN: 15708; Para: 1; Accountabilities: Direct: Sherub Wangpo, Accountant, EID # 200607048; Supervisory: Rinchen Gyelpo, Gup, CID # 10707000850.*

Status: *The observation was settled during the visit of the Hon'ble Auditor General to Monggar Dzongkhag & Gewogs on 02/11/2019 as the errors were corrected in the system with the introduction of e-PEMS.*

VII. KENGGHAR

During the year, the RAA conducted one audit of the Gewog Administration, Kengkhar under Monggar Dzongkhag. There were two observations amounting to Nu.0.364 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.364 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.047 million were resolved. The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.317 million as summarised below.

Out of the total unresolved irregularities of Nu.0.317 million reported to the Parliament in June 2019 all the irregularities had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.317	0.317	-	100
	Total	0.317	0.317		

The details of unsettled irregularities reported to the Parliament in June 2019 which was settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies involving Nu.0.317 million are as indicated below:

1. DISCREPANCIES NOTED IN BROAD HEAD '9.F - OTHER DEPOSITS' - NU.0.317 MILLION

The Gewog Administration, Kengkhar had unreconciled difference of Nu.0.317 million and instance of wrong booking under the broad head account '9.F - Other Deposits' for the year ended 30 June 2017. The amount on account of security deposits were neither refunded to the contractors nor deposited with the DPA. The lapses had occurred apparently due to failure on the part of the accounts personnel to carry out the accounting treatment with proper classification resulting into wrong entries of 10% retention monies of contractors under wrong accounting heads in deviation the FRR. *AIN: 15709; Para: 1; Accountabilities: Direct: Nima Zangmo, Accountant, EID # 201007185; Supervisory: Pema Chodup, Gup, CID # 10708000830.*

Status: The observation was settled as per letter No.MD/Accts/01/2019/3090 dated 01/10/2019 as considered during the visit of the Hon'ble Auditor General to Monggar Dzongkhag & Gewogs on 02/11/2019 since all the accounting errors were corrected in the system with introduction of e-PEMS.

VIII. MONGGAR

During the year, the RAA conducted one audit of the Gewog Administration, Monggar under Monggar Dzongkhag. There were three observations amounting to Nu.0.595 million of which two observations amounting to Nu.0.013 million did not qualify for inclusion in the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.582 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.582 million as summarised below.

Out of the total unresolved irregularities of Nu.0.582 million reported to the Parliament in June 2019, the same had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.582	0.582	-	100
	Total	0.582	0.582		

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

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

1.1. UN-RECONCILED AMOUNT UNDER '96.01: SECURITY & EARNEST MONEY' - NU.0.582 MILLION

The Gewog Administration, Monggar had unreconciled difference of Nu.0.582 million under broad head account 9.f 'Other Deposits' for the year ended 30 June 2017. The amounts were found transferred from erstwhile BAS to PEMS during the financial year 2010-2011 and was retained as security deposit for construction of kitchen with store at Kharabshing Lhakhang. However, on scrutiny of the documents it was noticed that the same were neither refunded to the contractor nor lying with DPA. *AIN: 15697; Para: 1; Accountabilities: Direct: Dawa Tshering, Accountant, EID # 200907186; Supervisory: Tenzin Wangchuk, Gup, CID # 1070900408.*

Status: The observation was settled during the visit of the Hon'ble Auditor General to Monggar Dzongkhag & Gewogs on 02/11/2019 as the system had been rectified with the introduction of e-PEMS.

IX. NARANG

During the year, the RAA conducted one audit of the Gewog Administration, Narang under Monggar Dzongkhag. There were three observations amounting to Nu.0.618 million of which one observation amounting to Nu.0.011 million did not qualify for inclusion in the draft AAR 2018. The significant

irregularities reported in the draft AAR 2018 amounted to Nu.0.607 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.607 million as summarised below.

Out of the total unresolved irregularities of Nu.0.607 million reported to the Parliament in June 2019, Nu.0.490 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The unresolved significant irregularities amounting to Nu.0.117 million as on 30 Sept. 2020 is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.117	-	0.117	-
2	Shortfalls, Lapses and Deficiencies	0.490	0.490	-	100
	Total	0.607	0.490	0.117	80.72

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled one as on 30 Sept. 2020 is as discussed below:

144 Non-compliance to Laws and Rules – Nu.0.117 million

The case of non-compliance to laws and rules amounted to Nu.0.117 million as indicated below:

1.1. UNDUE DELAY IN TAKING OVER OF THE COMPLETED WORK AND NON-LEVY OF LIQUIDATED DAMAGES - NU.0.117 MILLION

The Gewog Administration, Narang had not levied liquidated damages amounting to Nu.0.117 million to M/s N. Yaphel Construction, Pemagatshel for undue delay in taking over of the completed work in the construction of Farm Road from Domshung to Pangkang. The contractor had submitted the completion report on 25 August 2017 against the completion due date of 27 August 2017, but the Dzongkhag Tender Committee had taken over the work only on 8 November 2017, after 75 days from the date of work completion report. The reason for delay in taking over of the completed work was not on record and was indicative that the contractor had submitted the work completion report without actual completion of the work at site to avoid the penalty for delay. *AIN: 15699; Para: 2.1; Accountabilities: Direct: Tshewang Rinzin, AE, EID # 9301052; Supervisory: Tandin Wangchuk, Gup, CID # 10705003815*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/809 dated 19/08/2019.*

2. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies amounted to Nu.0.490 million as indicated below:

2.1. DISCREPANCIES NOTED IN BROAD HEAD 9.F – OTHER DEPOSITS – NU.0.490 MILLION

The Gewog Administration, Narang had balance of Nu.0.787 million under broad head account 9.f 'Other Deposits' for the year ended 30 June 2017 as per the PEMS of which refunds amounting to Nu.0.089 million were made during the financial year 2017-18. However, the balance amount with

DPA was only Nu.0.208 million as per PEMS with resultant difference of Nu.0.490 million under the broad head account 9.f 'Other Deposits'. The lapses had occurred apparently due to failure on the part of the accounts personnel to abide by the FRR. Further, there were instances where security deposits received were neither refunded nor deposited with the DPA. *AIN: 15699; Para: 1; Accountabilities: Direct: Karma Tenzin, Accountant, EID # 200807263; Supervisory: Tandin Wangchuk, Gup, CID # 10705003815.*

Status: *The observation was settled during the visit of the Hon'ble Auditor General to Monggar Dzongkhag & Gewogs on 02/11/2019 as the system had been rectified with the introduction of e-PEMS.*

X. NGATSHANG

During the year, the RAA conducted one audit of the Gewog Administration, Ngatshang under Monggar Dzongkhag. There were two observations amounting to Nu.1.562 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.562 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.562 million as summarised below.

Out of the total unresolved irregularities of Nu.1.562 million reported to the Parliament in June 2019, Nu.0.062 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The unresolved significant irregularities amounting to Nu.1.500 million as on 30 Sept. 2020 is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	1.500	-	1.500	-
2	Shortfalls, Lapses and Deficiencies	0.062	0.062	-	100
	Total	1.562	0.062	1.500	3.97

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled one as on 30 Sept. 2020 is as discussed below:

1. Fraud, Corruption and Embezzlement - Nu.1.500 million

The case with elements of Fraud, corruption and embezzlement involving Nu.1.500 million is as indicated below:

1.1. RELEASE OF 100% PAYMENT WITHOUT COMPLETING THE RENOVATION OF SANGACHOLING LHAKHANG - NU.1.500 MILLION

The Gewog Administration, Ngatshang had released full payment of Nu.1.500 million to the Community Contractor for major renovation of Sangacholing Lhakhang without having completed the renovation works. The construction work had just begun and was supposed to be completed by 9 March 2018 but full payment was found disbursed during the month of June 2017, ahead of the actual completion date. In addition, the Gewog had awarded the work to the community contractor without obtaining due approval for the renovation of the Lhakhang from the Department of Culture, MoHCA. The full payment was found made to avoid the fund from getting lapsed in defiance to the financial norms. The lapses had occurred apparently due to failure of the administration to abide by the FRR and improper planning of the renovation works by the Gewog Administration. *AIN: 15702;*

Para: 2; Accountabilities: Direct: Tenzin Tobgay, Dy. DE, EID # 9607022; Supervisory: Dorji Leki, Gup, CID # 10710001218.

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/806 dated 19/08/2019.*

2. Shortfalls, Lapses and Deficiencies

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

2.1. DISCREPANCIES NOTED IN BROAD HEAD 9.F – OTHER DEPOSITS – NU.0.062 MILLION

The Gewog Administration, Ngatshang had unreconciled difference of Nu.0.062 million under broad head account 9.f 'Other Deposits' for the year ended 30 June 2017. The lapses had occurred apparently due to failure on the part of the accounts personnel to abide by the FRR. There were instances wherein the security deposits received were neither refunded nor deposited with the DPA. *AIN: 15702; Para: 1; Accountabilities: Direct: Kinley Penjor, Accountant, EID # 20130802308; Supervisory: Dorji Leki, Gup, CID # 10710001218.*

Status: *The observation was settled during the visit of the Hon'ble Auditor General to Monggar Dzongkhag & Gewog on 02/11/2019 as the system had been rectified with the introduction of e-PEMS.*

XI. SALING

During the year, the RAA conducted one audit of the Gewog Administration, Saling under Monggar Dzongkhag. There was one observation amounting to Nu.0.348 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.348 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.348 million as summarised below.

Out of the total unresolved irregularities of Nu.0.348 million reported to the Parliament in June 2019, the same had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.348	0.348	-	100
	Total	0.348	0.348	-	

The details of unsettled irregularity reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

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

1.1 UN-RECONCILED AMOUNT UNDER “96.01: SECURITY & EARNEST MONEY” – NU.0.348 MILLION

The Gewog Administration, Saling had un-reconciled difference of Nu.0.348 million and instances of wrong booking under the broad head account 9.f ‘Other Deposits’ for the year ended 30 June 2017. The lapses had occurred apparently due to failure on the part of the accounts personnel to abide by the FRR. *AIN: 15710; Para: 1; Accountabilities: Direct: Yeshi Choda, Accountant, EID # 201007048; Supervisory: Choney Dorji, Gup, CID # 10704001091.*

Status: *The observation was settled during the visit of the Hon’ble Auditor General to Monggar Dzongkhag & Gewogs on 02/11/2019 as the system had been rectified with the introduction of e-PEMS.*

XII. SHERMUHOONG

During the year, the RAA conducted one audit of the Gewog Administration, Shermuhoong under Monggar Dzongkhag. There were four observations amounting to Nu.0.372 million of which one observation amounting to Nu.0.012 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.359 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.359 million as summarised below.

Out of the total unresolved irregularities of Nu.0.0359 million reported to the Parliament in June 2019, all the irregularities had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the same are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
2	Shortfalls, Lapses and Deficiencies	0.359	0.359	-	100
	Total	0.359	0.359	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

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

1.1. EXECUTION OF SUB-STANDARD WORK IN CONSTRUCTION OF GUP’S OFFICE

The Gewog Administration, Shermuhoong had accepted substandard works in the construction of Gup’s office. The works executed by M/s Lhari Construction, Monggar did not meet the required standards as the walls of the building were not aligned properly with some parts of walls bent inward and some bulging out. The floor had a rough finishing instead of PCC finishing and the paints on the plywood lining was found worn out. The lapses had occurred apparently due to inadequate monitoring and supervision by the site engineer at the time execution coupled with poor workmanship of the contractor. *AIN: 15712; Para: 4; Accountabilities: Direct: Prem Bdr. Ghalley, AE, EID # 20120100120; M/s Lhari Construction, Monggar, CDB # 4778; Supervisory: Ugyen, Gup, CID # 10712000257.*

Status: The observation was settled based on the letter No.Sherimung-40/2020/1700 dated 22/05/2020 as the works were reported rectified.

2. Shortfalls, Lapses and Deficiencies

The cases of shortfalls, lapses and deficiencies involving Nu.0.359 million are as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Discrepancies noted in Broad Head 9.F – Other Deposits	0.154	0.154	-
2.2	Unjustifiable payment of hire charges for tripper trucks	0.205	0.205	-
	Total	0.359	0.359	-

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

2.1. DISCREPANCIES NOTED IN BROAD HEAD 9.F – OTHER DEPOSITS – NU.0.154 MILLION

The Gewog Administration, Shermuhoong had unreconciled difference of Nu.0.154 million and instances of wrong booking under the broad head account 9.f 'Other Deposits' for the year ended 30 June 2017. The lapses had occurred apparently due to failure on the part of the accounts personnel to abide by the FRR. *AIN: 15712; Para: 1; Accountabilities: Direct: Passang Dorji, Accountant, EID 20130802307; Supervisory: Ugyen, Gup, CID. 10712000257.*

Status: The observation was settled during the visit of the Hon'ble Auditor General to Monggar Dzongkhag & Gewogs on 02/11/2019 as the system had been rectified with the introduction of e-PEMS.

2.2. UNJUSTIFIABLE PAYMENT OF HIRE CHARGES FOR TRIPPER TRUCKS – NU.0.205 MILLION

The Gewog Administration, Shermuhoong had made unjustified payment of Nu.0.205 million on account of hire charges for machineries and trucks for maintenance and construction of various farm roads. M/s Pem Cee Hiring Unit, Monggar was paid Nu.1,900.00 per hour for excavator and Nu.600.00 per hour for tripper truck. However, in comparison, the practice in other sixteen Gewogs under Monggar Dzongkhag, the rate for hire of excavator was inclusive of tripper trucks used for disposal of excavated earth and was a requirements for the contractor to have a tripper truck along with the excavator while submitting their bid for the hiring contract. The Gewog Administration justified that the truck was hired for dumping of gravels not for transportation of excavated earth, however the documents were not produced for review. *AIN: 15712; Para: 2; Accountabilities: Direct: Prem Bdr. Ghalley, AE, EID # 20120100120; Supervisory: Ugyen, Gup, CID # 10712000257.*

Status: The observation was settled as per letter No.Sherimung Gewog-15/2019/151 dated 25/03/2019 based on justification submitted by the Gewog.

XIII. SILAMBI

During the year, the RAA conducted one audit of the Gewog Administration, Silambi under Monggar Dzongkhag. There were three observations amounting to Nu.0.855 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.855 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.855 million as summarised below.

Out of the total unresolved irregularities of Nu.0.855 million reported to the Parliament in June 2019, all the irregularities had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	0.175	0.175	-	100
2	Non-compliance to Laws and Rules	0.477	0.477	-	100
3	Shortfalls, Lapses and Deficiencies	0.203	0.203	-	100
	Total	0.855	0.855	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Fraud, Corruption and Embezzlement

The case with elements of fraud, corruption and embezzlement involving Nu.0.146 million is as indicated below:

1.1. PAYMENT MADE FOR WORKS NOT EXECUTED - NU.0.175 MILLION

The Gewog Administration, Silambi had made payment of Nu.0.175 million to M/s Dhoenay Khorlo Construction, Zhemgang for works not executed in the construction of Gyelgong to Nagor Farm Road. The contractor was found paid for 8,351 meters of V-shaped earthen drain @ Nu.21.00 per meter which was not found executed during the physical verification at site.

The Gewog Administration justified that drain was constructed by the contractor but covered by debris from the road side, however the documents and report to that effect were not produced for review. *AIN: 15711; Para: 2; Accountabilities: Direct: Padam Bdr. Rai, Accountant, EID # 20120100121; Supervisory: Pema Dorji, Gup, CID # 10713001850.*

Status: *The observation was settled as per letter No.MD/Accts/01/2019/3090 dated 01/10/2019 as considered during the visit of Hon'ble Auditor General to Mongar Dzongkhag & Gewogs on 02/11/2019 as all the accounting errors had been corrected with the introduction of e-PEMS.*

2. Non-compliance to Laws and Rules

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

2.2. NON-LEVY OF LIQUIDATED DAMAGES FOR DELAY IN COMPLETION - NU.0.477 MILLION

The Gewog Administration, Silambi had not levied liquidated damages of Nu.0.477 million on M/s Dhoenay Khorlo Construction, Zhemgang for delay in completion of works in the construction of Gyelgong to Nagor Farm Road. As per the records the contractor had completed the work and

submitted the work completion report dated 19 April 2017 and the same was taken over by the tender committee on 21 May 2017.

However, the works were still in progress even after a lapse of almost a year at the time of audit in March 2018 which was indicative of taking over of incomplete works to avoid levy of liquidated damages. The lapses had occurred apparently due to failure on the part of the Gewog Administration to enforce the contractual terms. The site engineer had also failed to ensure proper supervision and monitoring for timely completion of the construction. *AIN: 15711; Para: 2.1; Accountabilities: Direct: Padam Bdr. Rai, Accountant, EID # 20120100121; Supervisory: Pema Dorji, Gup, CID # 10713001850.*

Status: The observation was settled as per letter No.MD/Accts/01/2019/3090 dated 01/10/2019 as considered during the visit of the Hon'ble Auditor General to Mongar Dzongkhag & Gewogs on 02/11/2019.

3. Shortfalls, Lapses and Deficiencies

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

2.1. DISCREPANCIES NOTED IN BROAD HEAD ACCOUNT 9.F – NU.0.203 MILLION

The Gewog Administration, Silambi had unreconciled difference of Nu.0.203 million and instances of wrong booking under the broad head account 9.f 'Other Deposits' for the year ended 30 June 2017. The amount pertaining to the 10% Security Deposit of contractor were neither refunded nor deposited with the DPA. The lapses had occurred apparently due to failure on the part of the accounts personnel to abide by the FRR. *AIN: 15711; Para: 1; Accountabilities: Direct: Tashi Choezom, Accountant, EID # 201107023; Supervisory: Pema Dorji, Gup, CID # 10713001850.*

Status: The observation was settled as per letter No.MD/Accts/01/2019/3090 dated 01/10/2019 during the visit of the Hon'ble Auditor General to Mongar Dzongkhag & Gewogs on 02/11/2019 as the accounting errors were corrected in the system with the introduction of e-PEMS.

XIV. THANGRONG

During the year, the RAA conducted one audit of the Gewog Administration, Thangrong under Monggar Dzongkhag. There were two observations amounting to Nu.0.320 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.320million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, one observation amounting to Nu.0.031 million was resolved. The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.289 million as summarised below.

Out of the total unresolved irregularities of Nu.0.289 million reported to the Parliament in June 2019, all the irregularities had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.289	0.289	-	100
	Total	0.289	0.289	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

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

1.1. DISCREPANCIES NOTED IN BROAD HEAD ACCOUNT 9.F - NU.0.289 MILLION

The Gewog Administration, Thangrong had unreconciled difference of Nu.0.289 million and instances of wrong booking under the broad head account 9.f. 'Other Deposit' for the year ended 30 June, 2017. The amount pertained to 10% Security Deposit which was neither refunded to the contractor nor deposited with the DPA. The lapses had occurred apparently due to failure on the part of the accounts personnel to abide by the FRR. *AIN: 15707; Para: 1; Accountabilities: Direct: Tshewang Tenzin, Accountant, EID # 201007188; Supervisory: Chenga, Gup, CID # 10714000763.*

Status: *The observation was settled as per letter No.MD/Accts/01/2019/3090 dated 01/10/2019 as considered during the visit of the Hon'ble Auditor General to Mongar Dzongkhag & Gewogs on 02/11/2019 since the accounting errors had been corrected with the introduction of e-PEMS.*

xv. TSAKALING

During the year, the RAA conducted one audit of the Gewog Administration, Tsakaling under Monggar Dzongkhag. There were two observations amounting to Nu.0.146 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.146 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.146 million as summarised below.

Out of the total unresolved irregularities of Nu.0.146 million reported to the Parliament in June 2019, all the irregularities had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	0.146	0.15	-	100
2	Shortfalls, Lapses and Deficiencies	-	-	-	100
	Total	0.146	0.146	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Fraud, Corruption and Embezzlement

The case with elements of fraud, corruption and embezzlement involving Nu.0.146 million is as indicated below:

1.1. PAYMENT MADE WITHOUT RECEIVING GOODS – NU.0.146 MILLION

The Gewog Administration, Tsakaling had made payment of Nu.0.146 million to M/s Tashi Yangkhil Enterprise, Monggar for the supply of office furniture without actually receiving the goods. The lapses had occurred apparently due to failure on the part of the Administration to comply with the financial and procurement norms. *AIN: 15705; Para: 2; Accountabilities: Direct: Cheten Zangmo, Accountant, EID # 201007038; Supervisory: Karma Sonam Wangchuk, Gup, CID # 10716002494.*

Status: *The observation was settled as a sum of Nu.0.038 million was deposited vide R/No.429680 dated 09/04/2020 and appropriate action taken against the accountable person vide letter No.MD/HRS-09/2020/7142 dated 16/04/2020.*

2. Shortfalls, Lapses and Deficiencies

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

2.1. DISCREPANCIES NOTED IN BROAD HEAD ACCOUNT 9.F

The Gewog Administration, Tsakaling had instances of wrong booking under the broad head account 9.f 'Other Deposits' for the year ended 30 June 2017. Nu.0.365 million pertaining to the security deposits refunded to contractor was found wrongly debited from 96.03 instead of 96.01 and Nu.0.167 million pertaining to the retention of security deposit from contractor's bill was wrongly credited to 96.03 instead of 96.01. The lapses had occurred apparently due to failure on the part of the accounts personnel to carry out the accounting treatment with proper classification resulting into wrong entries of 10% retention monies of contractors under wrong accounting heads in deviation to the FRR. *AIN: 15705; Para: 1; Accountabilities: Direct: Cheten Zangmo, Accountant, EID # 201007038; Supervisory: Karma Sonam Wangchuk, Gup, CID # 10716002494.*

Status: *The observation was settled as per letter No.MD/Accts/01/2019/3090 dated 01/10/2019 as considered during the visit of the Hon'ble Auditor General to Mongar Dzongkhag & Gewogs on 02/11/2019 since the accounting errors had been corrected with the introduction of ePEMS.*

XVI. TSAMANG

During the year, the RAA conducted one audit of the Gewog Administration, Tsamang under Monggar Dzongkhag. There were two observations amounting to Nu.0.148 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.148 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.148 million as summarised below.

Out of the total unresolved irregularities of Nu.0.148 million reported to the Parliament in June 2019, Nu.0.094 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The unresolved significant irregularities amounting to Nu.0.054 million as on 30 Sept. 2020 is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	0.054	-	0.054	-
2	Shortfalls, Lapses and Deficiencies	0.094	0.094	-	100
	Total	0.148	0.094	0.054	63.51

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled one as on 30 Sept. 2020 is as discussed below:

1. Fraud, Corruption and Embezzlement - Nu.0.054 million

The case with elements of fraud, corruption and embezzlement involving Nu.0.054 million is as indicated below:

1.1. RELEASE OF PAYMENT MADE WITHOUT RECEIVING GOODS – NU.0.054 MILLION

The Gewog Administration, Tsamang had made payment of Nu.0.054 million to M/s Tashi Yangkhil Tshongkhag for the supply of furniture without actually receiving the goods. The lapses had occurred apparently due to failure on the part of the Administration to observe the financial and procurement norms. *AIN: 15704; Para: 2; Accountabilities: Direct: Sonam Dema, Accountant, EID # 201007184; Supervisory: Sonam Darjay, Gup, CID # 10715001963.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/817 dated 19/08/2019.*

2. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies involving Nu.0.094 million is as indicated below:

2.1. DISCREPANCIES NOTED IN BROAD HEAD 9.F – OTHER DEPOSITS - NU.0.094 MILLION

The Gewog Administration, Tsamang had unreconciled difference of Nu.0.094 million under the broad head account 9.f 'Other Deposits' for the year ended 30 June 2017. The amount was found retained against the 10% security deposit from contractor's bills and were neither refunded to the contractor nor retained with the DPA. The lapses had occurred apparently due to failure to carry out the accounting treatment with proper classification resulting into wrong entries of 10% retention monies of contractors under wrong accounting heads in deviation to the FRR. *AIN: 15704; Para: 1; Accountabilities: Direct: Sonam Dema, Accountant, EID # 201007184; Supervisory: Sonam Darjay, Gup, CID # 10715001963.*

Status: *The observation was settled during the visit of the Hon'ble Auditor General on 02/11/2019 to Mongar Dzongkhag & Gewogs as the system had been rectified with the introduction of e-PEMS.*

1.3.3.3 GEWOGS ADMINISTRATION UNDER PARO DZONGKHAG

I. LAMGONG

During the year, the RAA conducted one audit of the Gewog Administration, Lamgong under Paro Dzongkhag. There were three observations amounting to Nu.0.705 million of which two

observations amounting to Nu.0.641 million was either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.064 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.064 million as summarised below.

Out of the total unresolved irregularities of Nu.0.064 million reported to the Parliament in June 2019, the amount had not been settled as on 30 Sept. 2020 as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.064	-	0.064	-
	Total	0.064	-	0.064	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules – 0.064 million

The case of non-compliance to laws and rules amounted to Nu.0.064 million as indicated below:

1.1. NON-RECONCILIATION OF REFUNDABLE RELEASE VIS-A-VIS REFUND OF 10% SECURITY DEPOSIT (REFUNDABLE RELEASE) - NU.0.064 MILLION

The Gewog Administration, Lamgong had not reconciled Refundable Releases amounting to Nu.0.064 million received from the DPA during the financial year 2016-17. The Gewog Administration had obtained Nu.0.337 million from the DPA but had only refunded Nu.0.273 million to parties on account of refund of Security Deposit & Earnest Money Deposit. The lapses had occurred due to lack of periodic reconciliation and improper booking of payments/refunds in the system by the dealing official. *AIN: 15297; Para: 1; Accountabilities: Direct: Pema Deki, Accountant, EID # 200807269; Supervisory: Gem Tshering, Gup, CID # 10805001697.*

Status: *Observation not settled.*

II. SHARPA

During the year, the RAA conducted one audit of the Gewog Administration, Sharpa under Paro Dzongkhag. There were five observations amounting to Nu.0.375 million of which three observations amounting to Nu.0.287 million was either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.088 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.088 million as summarised below.

Out of the total unresolved irregularities of Nu.0.088 million reported to the Parliament in June 2019, all the irregularities had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.088	-	0.088	-
	Total	0.088	-	0.088	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

The cases of non-compliance to laws and rules involving Nu.0.088 million are as indicated below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Non-deposit of entire receipts of 10% Security Deposit into Refundable Deposits Account	0.037	0.037	-
1.2	Refund of 10% Security Deposits (SD) without obtaining refundable releases	0.051	0.051	-
	Total	0.088	0.088	-

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

1.1. NON-DEPOSIT OF ENTIRE RECEIPTS OF 10% SECURITY DEPOSIT INTO REFUNDABLE DEPOSITS ACCOUNT (RDA) - NU.0.037 MILLION

The Gewog Administration, Sharpa had unreconciled difference amounting to Nu.0.037 million in the Receipts & Payments Statement for the financial year 2016-17. Against the total refundable receipts of Nu.0.846 million collected during the year, the Gewog Administration had deposited only Nu.0.809 million into the Refundable Deposit Account (RDA) with resultant understatement of RDA and overstatement of lapsed fund by Nu.0.037 million. *AIN: 15300; Para: 1.1; Accountabilities: Direct: Kinzang Wangdi, Accounts Assistant, EID # 8712032; Supervisory: Chencho Gyeltshen, Gup, CID # 10808001337.*

Status: *The observation was settled based on the follow up letter No.RAA/FUCD(R16)2020/968 dated 06/05/2020.*

1.2. REFUND OF 10% SECURITY DEPOSITS (SD) WITHOUT OBTAINING REFUNDABLE RELEASES - NU.0.051 MILLION

The Gewog Administration, Sharpa had refunded 10% Security Deposit amounting to Nu.0.051 million without obtaining equivalent Refundable Releases from the DPA. Against the refundable receipts of Nu.0.897 million collected during the year on account of 10% security and EMD, the Gewog Administration had deposited only Nu.0.846 million into the Refundable Deposit Account (RDA) with resultant understatement of RDA by Nu.0.051 million. Similarly, against the refundable deposit releases of Nu.0.442 million obtained from DPA, the Gewog Administration had refunded Nu.0.493 million under 9.f 'Other Deposits' to contractors/parties resulting into difference of Nu.0.051 million. The lapses indicated lack of periodic reconciliation. *AIN: 15300; Para: 1.2; Accountabilities: Direct: Kinzang Wangdi, Accounts Assistant, EID # 8712032; Supervisory: Chencho Gyeltshen, Gup, CID # 10808001337.*

Status: The observation was settled based on the follow up letter No.RAA/FUCD(R16)2020/968 dated 06/05/2020.

III. LOONG-NYI

During the year, the RAA conducted one audit of the Gewog Administration, Loong-nyi under Paro Dzongkhag. There were seven observations amounting to Nu.1.059 million of which observations amounting to Nu.0.358 million was either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.701 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.701 million as summarised below.

Out of the total unresolved irregularities of Nu.0.701 million reported to the Parliament in June 2019, Nu.0.454 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The unresolved significant irregularities amounting to Nu.0.247 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.454	0.454	-	100
2	Shortfalls, Lapses and Deficiencies	0.247	-	0.247	-
	Total	0.701	0.454	0.247	64.76

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules involving Nu.0.454 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Refund of 10% Security Deposits (SD) without obtaining equivalent refundable releases	0.064	0.064	-
1.2	Payment for non-execution of work as per BoQ	0.390	0.390	-
	Total	0.454	0.454	-

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

1.1. REFUND OF 10% SECURITY DEPOSITS (SD) WITHOUT OBTAINING EQUIVALENT REFUNDABLE RELEASES - NU.0.064 MILLION

The Gewog Administration, Loong-nyi had un-reconciled difference of Nu.0.064 million in the Receipts & Payments Statements for the financial year 2016-17. Against the refundable releases of Nu.0.718 million obtained during the year, the Gewog Administration had refunded Nu.0.807 million

to various contractors with resultant excess refund of Nu.0.089 million.

Similarly, against the receipts of Nu.0.765 million collected during the year as 10% Security Deposit & EMD from various contractors/parties, the Gewog Administration had deposited only Nu.0.740 million with resultant non-deposit of Nu.0.025 million into Refundable Deposit Account. The lapse had occurred due to failure of concerned accountant to obtain equivalent Refundable Release from DPA prior to refunding of 10% security deposits to contractors/parties and not depositing entire amount of receipts of 10% security deposits into Refundable Deposit Account as required. *AIN: 15302; Para: 1.2; Accountabilities: Direct: Kinzang Wangdi, Accounts Assistant, EID # 8712032; Supervisory: Jamtsho, Gup, CID # 10806001674.*

Status: The observation was settled vide follow up report No. RAA/FUCD(R14)2020/967 dated 06/05/2020.

1.2. PAYMENT FOR NON-EXECUTION OF WORK AS PER BOQ - NU.0.390 MILLION

The Gewog Administration, Loong-nyi had made payment of Nu.0.390 million for execution of V-shaped drain valuing Nu.0.390 million which was not as per the BoQ specification in the up-gradation of Jew Shari to PTT farm road constructed by M/s Chundu Construction, Paro. The lapses had occurred due to lack of supervision and monitoring of the work at the time of execution and acceptance of work without verifying as to specification by the site engineer. *AIN: 15302; Direct: 4; Accountabilities: Direct: Pema Lhendup, Dy. Executive Engineer, EID # 9807053; Supervisory: Jamtsho, Gup, CID # 10806001674.*

Status: The observation was settled vide settlement letter No. RAA/FUCD/(R14)2019/2684 dated 4/11/2019.

2. Shortfalls, Lapses and Deficiencies - Nu.0.247 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.247 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Excess payment to contractor	0.110	-	0.110
2.2	Excess payment to contractor due to non-deduction of stretch of PCC road	0.074	-	0.074
2.3	Excess payment to contractor due to discrepancies in measurement of wall	0.063	-	0.063
Total		0.247	-	0.247

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

2.1. EXCESS PAYMENT TO CONTRACTOR - NU.0.110 MILLION

The Gewog Administration, Loong-nyi had made excess payment of Nu.0.110 million to M/s Tandin Dorji Construction in the maintenance work at Dzongdrakha. The contractor was paid for quantities in excess of actual quantities executed at site due to quantification of providing and laying hammer dressed dry stone soling work in 'square metres' instead of 'cubic metres' and acceptance of excess length against the actual length executed at site. In addition, excess length was found accepted in PCC works up-to plinth area. *AIN: 15302; Para: 3.1; Accountabilities: Direct: Pema Lhendup, Dy. Executive Engineer, EID # 9807053.*

Status: Observation not settled.

2.2. EXCESS PAYMENT DUE TO NON-DEDUCTION OF STRETCH OF PCC ROAD - NU.0.074 MILLION

The Gewog Administration, Loong-nyi had made excess payment of Nu.0.074 million to M/s Tandin Dorji Construction due to non-deduction of portion of positioned PCC works along the stretch of the road in the maintenance work at Dzongdrakha. The site engineer had verified the final RA bill and made payments without deducting the stretch of PCC road. The bill payment was found based on the quantity provided in the BOQ and not on the actual quantity of work executed at site. The site engineer and the Handing/Taking Committee members had not exercised due diligence while verifying the final RA bill and taking over completed works from contractor. *AIN: 15302; Para: 4.2; Accountabilities: Direct: Pema Lhendup, Dy. Executive Engineer, EID # 9807053; Supervisory Accountability: Jamtsho, Gup, CID # 10806001674.*

Status: Observation not settled.

2.3. EXCESS PAYMENT TO CONTRACTOR DUE TO DISCREPANCIES IN MEASUREMENT OF WALL - NU.0.063 MILLION

The Gewog Administration, Loong-nyi had made excess payment of Nu.0.063 million to M/s Tandin Dorji Construction due to discrepancies in measurement of RRM wall in the maintenance work at Dzongdrakha. The contractor was paid for quantities in excess of the actual quantities executed at site. The lapses had occurred due to acceptance of excess dimensions while quantifying item of work as against the actual dimensions executed at site by the site engineer while verifying the contractor's bills for payment. *AIN: 15302; Para: 4.3; Accountabilities: Direct: Pema Lhendup, Dy. Executive Engineer, EID # 9807053; Supervisory: Jamtsho, Gup, CID # 10806001674.*

Status: Observation not settled.

1.3.3.4 GEWOGS ADM. UNDER PEMAGATSHEL DZONGKHAG

I. NANONG

During the year, the RAA conducted one audit of the Gewog Administration, Nanong under Pemagatshel Dzongkhag. There were three observations of which one observation was resolved prior to the compilation of the draft AAR 2018.

The unresolved significant irregularities reflected in the AAR 2018 are as summarised below.

Out of the two unresolved irregularities reported to the Parliament in June 2019, both irregularities had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
2	Shortfalls, Lapses and Deficiencies	-	-	-	100
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

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

1.1. NON-RECTIFICATION OF DEFECTIVE WORKS

The Gewog Administration, Nanong had not directed M/s Thunpa Punshi construction to rectify defective works noted in the construction of Gangtongzor to Bargonpa farm road at the time of audit in February 2018. The works were completed and taken over on 19 April 2017. The lapses had occurred apparently due to failure on the part of Gewog Administration to instruct the contractor to rectify the damaged works within defect liability period. *AIN: 15181; Para: 2; Accountabilities: Direct: Kinley Wangdi, JE, EID # 20140103482; Supervisory Accountability: Sonam Jamtsho, Gup, CID # 11508004058.*

Status: *The observation was settled vide review letter No.RAA/OAAG-SJ(AR-180)GA-Nanong/2019/3123 dated 22.4.2019.*

2. Shortfall, Lapses and Deficiencies

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

2.1. ACCEPTANCE OF INFERIOR CEMENT PLASTERING WORKS ON RENOVATION OF RNRCE STAFF QUARTER AND 2-UNIT PF TOILET AT NANONG GEWOG CENTRE

The Gewog Administration, Nanong had accepted substandard cement plastering works in the renovation work of RNRCE staff quarter and 2-unit PF toilet at Nanong Gewog Centre constructed by M/s Norbu Yeber Construction. The lapses had occurred apparently due to poor supervision and monitoring of the works by the site engineer coupled by acceptance of inferior quality of cement plastering works by the Handing-Taking Committee. *AIN: 15181; Para: 3; Accountabilities: Direct: Kinley Wangdi, JE, EID # 20140103482; Supervisory: Sonam Jamtsho, Gup, CID # 11508004058.*

Status: *The observation was settled vide review letter No.RAA/OAAG-SJ(AR-180)GA-Nanong/2019/3153 dated 29.4.2019.*

II. SHUMAR

During the year, the RAA conducted one audit of the Gewog Administration, Shumar under Pemagatshel Dzongkhag. There were two observations which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities were reported in the draft AAR 2018.

The unresolved significant irregularities reflected in the AAR 2018 are as summarised below.

The unresolved irregularities reported to the Parliament in June 2019 had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Non-rectification of defective works/debris clearing works	-	-	Settled
1.2	Improper planning of infrastructure development leading to underutilization of the infrastructure constructed	-	-	Settled
	Total	-	-	-

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

1.1. NON-RECTIFICATION OF DEFECTIVE WORKS/DEBRIS CLEARING WORKS

The Gewog Administration, Shumar had not directed M/s Druk Elite Builder, Thimphu to rectify defective works noted in the construction of Yangkhar-Toetpalung Farm Road at the time of audit in February 2018. The works were completed and taken over on 22 May 2017. Drains were found filled with debris and damaged along the entire stretch of farm road and had not been cleared and rectified. The lapses had apparently occurred due to acceptance of defective works by the Handing-Taking Committee. *AIN: 15185; Para: 1; Accountabilities: Direct: Karma Tenzin, JE, EID # 20130101882; Supervisory: Sangay Chopel, Gup, CID # 10904002853.*

Status: *The observation was settled vide review report No.RAA/OAAG-SJ(AR-182)GA-Shumar/2019/3168 dated 1.8.2019.*

1.2. IMPROPER PLANNING OF INFRASTRUCTURE DEVELOPMENT LEADING TO UNDERUTILIZATION OF THE INFRASTRUCTURE CONSTRUCTED

The Gewog Administration, Shumar had underutilised the stone bath infrastructure constructed at Urichu Menchu and was lying idle without rendering any services to public. The infrastructure constructed was not planned and designed properly, works were found poorly executed and some structures were damaged and not rectified. As a result, it had remained underutilized at the time of audit in February 2018. *AIN: 15185; Para: 2; Accountabilities: Direct: Damcho Zangmo, AE, EID #9707057; Sangay Chopel, Gup, CID # 10904002853; Supervisory: Sangay Chopel, Gup, CID # 10904002853.*

Status: *The observation was settled vide review letter No.RAA/OAAG-SJ/(AR-182)/GA-Shumar/2019/3256 dated 4.6.2019.*

1.3.3.5 GEWOGS ADMINISTRATION UNDER PUNAKHA DZONGKHAG

I. TOEPAISA

During the year, the RAA conducted one audit of the Gewog Administration, Toepaisa under Punakha Dzongkhag. There were four observations amounting to Nu.1.863 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.863 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.1.863 million were resolved. The unresolved significant irregularity reflected in the AAR 2018 are as summarised below.

The unresolved irregularities reported to the Parliament in June 2019 had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
	Total	-	-	-	

The details of unsettled irregularity reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

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

1.1. VOUCHERS NOT SUPPORTED BY NECESSARY DOCUMENTS AND AMBIGUOUS EXPENDITURES

The Gewog Administration, Toepaisa had not produced requisite documents for advances amounting to Nu.0.280 million booked for trainings. The amounts were found partially adjusted but not supported by relevant documents and the vouchers were not signed and approved by the controlling officer, in contravention to Clause 5.14.2.2 of FAM 2016. After the adjustment of Nu.0.167 million, there was still a balance of Nu.0.113 million lying unadjusted. *AIN: 15537; Para: 2.2; Accountabilities: Direct: Dorji Wangchuk, ELO, EID # 200507097; Kinley Wangdi, EFO, EID # 200507173; Supervisory: Namgay Tenzin, CID # 11411002228.*

Status: *The observation was settled as an appropriate action was taken vide ref. No.RNR-EC/TG/LS-33/2018-2019/59 dated 29/08/2019.*

II. CHHUBOOG

During the year, the RAA conducted one audit of the Gewog Administration, Chhuboog under Punakha Dzongkhag. There were two observations amounting to Nu.0.731 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.731 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.633 million were resolved. The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.098 million as summarised below.

Out of the total unresolved irregularities of Nu.0.098 million reported to the Parliament in June 2019, the irregularity had not been settled as on 30 Sept. 2020. The unresolved significant irregularities as on 30 Sept. 2020 is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.098	-	0.098	-
	Total	0.098	-	0.098	

The details of the irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies – Nu.0.098 million

The case of shortfalls, lapses and deficiencies involving Nu.0.098 million is as indicated below:

1.1. SHORT SUPPLY OF HUME PIPES IN CONSTRUCTION OF FARM ROAD AT YEBESA - NU.0.098 MILLION

The Gewog Administration, Chhuboog had purchased 35 numbers of RCC humepipes of varying sizes of which only 24 hume pipes were found at site. Further, 4 humepipes were found broken and the rest were piled up near the bridge and river at site. The missing hume pipes were worth Nu.0.098 million. *AIN: 15539; Para: 1; Accountabilities: Direct: Nedup Tshering, AE, EID # 200707080; Supervisory: Sonam Tobgay, Gup, CID # 11001001746.*

Status: *Observation not settled.*

III. KABJISA

During the year, the RAA conducted one audit of the Gewog Administration, Kabjisa under Punakha Dzongkhag. There were three observations amounting to Nu.0.189 million of which two observations amounting to Nu.0.008 million did not qualify for inclusion in the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.181 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.181 million as summarised below.

Out of the total unresolved irregularities of Nu.0.181 million reported to the Parliament in June 2019 the same had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.181	0.18	-	100
	Total	0.181	0.181	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies involving Nu.0.181 million is as indicated below:

1.1. PAYMENT FOR EXCAVATION OF WHOLE LENGTH OF ROAD AT THE HIGHEST RATE QUOTED IN THE CONSTRUCTION OF FARM ROAD - NU.0.181 MILLION

The Gewog Administration, Kabjisa had made excess payments of Nu.0.181 million to the contractor, due to payment made at highest quoted rate for excavation in the construction of farm road from Kashikha to Rangrikha. The Bill of Quantity had quoted rates of Nu.41.00 for excavation of all kind of soil and Nu.80.00 for all kind of rocks. However, M/s Puna Construction, Wangduephodrang had inflated the bill for excavation of road by claiming rates for 'all kind of rocks' even for the soil excavation works. The lapses had occurred due to failure on the part of site engineer and the supervising officers in exercising due diligence while verifying the admissibility of the contractor's claims. *AIN: 15540; Para: 2; Accountabilities: Direct: Thinley Dorji, AE, EID # 201001712; Supervisory: Tshering Penjor, Gup, CID # 11005000381.*

Status: *The observation was settled.*

IV. GOENSHARI

During the year, the RAA conducted one audit of the Gewog Administration, Goenshari under Punakha Dzongkhag. There were four observations amounting to Nu.0.376 million of which one observation amounting to Nu.0.003 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.373 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.373 million as summarised below.

Out of the total unresolved irregularities of Nu.0.373 million reported to the Parliament in June 2019, the amount had not been settled as on 30 Sept. 2020. However, one observation under non-compliance to laws and rules without monetary quantification had been settled based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the same are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	0.373	-	0.373	-
2	Non-compliance to Laws and Rules	-	-	-	100
	Total	0.373	-	0.373	

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Mismanagement - Nu.0.373 million

The cases of mismanagement involving Nu.0.373 million are as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Short collection of annual rent and improper maintenance of records	0.240	-	0.240
1.2	Non-accountal of collections and non-availability of cash	0.133	-	0.133
	Total	0.373	-	0.373

The cases of mismanagement are as indicated below:

1.1. SHORT COLLECTION OF ANNUAL RENT AND IMPROPER MAINTENANCE OF RECORDS - NU.0.240 MILLION

The Gewog Administration, Goenshari had short-collected Nu.0.240 million on account of annual rent of the Tsachu guest house for the last four years from 2014-2015 to 2017-2018. Against the total contract amount of Nu.0.382 million the Gewog Administration had collected only Nu.0.143 million. In addition, the Gewog Administration had also not maintained the Cash Book and Bank Account for the collection of rental charges and for expenditures incurred. Similar issue was raised during past audit as well, however no improvement was made. *AIN: 15545; Para: 1.1; Accountabilities: Direct: Yeshi Dorji, Gup, CID #110030001107; Supervisory: Yeshi Dorji, Gup, CID # 110030001107.*

Status: Observation not settled.

1.2. NON-ACCOUNTAL OF COLLECTIONS AND NON-AVAILABILITY OF CASH - NU.0.133 MILLION

The Gewog Administration, Goenshari had not accounted Nu.0.133 million collected on account of rent for Koma Tshachu. Out of the total collection of Nu.0.143 million, the Gewog Administration had deposited Nu.0.010 million into the CD Account maintained for the Tshachu and balance of Nu.0.133 million was reportedly used for maintenance of Tshachu Guest House.

Ideally, the rental collections should be deposited into the RGR Account, as it is a form of revenue and should not be used for maintenance of guesthouse since the Gewog's LC Budget has separate provisions for maintenance works. However, if the rental collections from the guest house are being used for maintenance of guesthouse then the payments made from Gewog's LC Budget should be inadmissible. In addition, the Gewog Administration had not prepared vouchers while making

payments to authenticate the genuineness of expenses incurred. The lapses had occurred due to non-maintenance of proper records and lack of financial discipline. *AIN: 15545; Para: 1.2; Accountabilities: Direct: Yeshi Dorji, Gup, CID # 110030001107; Supervisory: Yeshi Dorji, Gup, CID # 110030001107.*

Status: *Observation not settled.*

2. Non-compliance to Laws and Rules

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

2.1. NON-COMPLIANCE TO MOF'S CIRCULAR ON PURCHASE OF HDPE PIPES

The Gewog Administration, Goenshari had procured HDPE pipes and cement worth Nu.0.521 million from sources other than the Bhutanese manufacturers and authorized dealers. As per the notifications of the MoF, all government agencies are supposed to procure the HDPE pipes and cement from Bhutanese manufacturers and authorized dealers. Non-adherence to the circulars had led to deprivation of benefit of rebate to the Government. *AIN: 15545; Para: 3; Accountabilities: Direct: Sonam Tobgay, Site Engineer, EID #200407019; Supervisory: Yeshi Dorji, Gup, CID # 110030001107.*

Status: *The observation was settled.*

V. TALOG

During the year, the RAA conducted one audit of the Gewog Administration, Talog under Punakha Dzongkhag. There were six observations amounting to Nu.1.419 million of which two observations amounting to Nu.0.025 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.394 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.1.124 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.270 million as summarised below.

Out of the total unresolved irregularities of Nu.0.270 million reported to the Parliament in June 2019, Nu.0.134 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The unresolved significant irregularities amounting to Nu.0.136 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	0.270	0.134	0.136	49.63
	Total	0.270	0.134	0.136	

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Mismanagement - Nu.0.136 million

There were cases of mismanagement involving Nu.0.270 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Procurement not from authorized dealer	-	-	Unsettled
1.2	HDPE pipes lying idle for long period	0.136		0.136
1.3	Underutilization of property and non-achievement of value for money	0.134	0.134	-
Total		0.270	0.134	0.136

The cases of mismanagement are as indicated below:

1.1. PROCUREMENT NOT FROM AUTHORIZED DEALER

The Gewog Administration, Talog had procured HDPE pipes worth Nu.0.550 million from M/s Muktsen Construction, Phuntsholing and not from the authorized dealers to take advantage of rebate offered by the manufacturers. As per the notifications of the MoF, all government agencies are supposed to procure the HDPE pipes and cement from Bhutanese manufacturers and authorized dealers. Non-adherence to the circulars had led to deprivation of benefit of rebate to the Government. *AIN: 15546; Para: 3.1; Accountabilities: Direct: Sonam Dorji, Site Engineer, EID # 200507214; Supervisory: Dorji Wangchuk, Gup, CID # 11008000399.*

Status: *Observation not settled.*

1.2. HDPE PIPES LYING IDLE FOR LONG PERIOD - NU.0.136 MILLION

The Gewog Administration, Talog had procured 11,200 meters of HDPE pipes worth Nu.1.173 million for Lapsakha RWSS during FY 2011-2012 of which 1,300 meters (13 rolls) worth Nu.0.136 million were found un-utilized and lying idle even after five and a half years of its procurement at the time of audit in April 2017. *AIN: 15546; Para: 3.2; Accountabilities: Direct: Sonam Dorji, Site Engineer, EID # 200507214; Supervisory: Dorji Wangchuk, Gup, CID # 11008000399.*

Status: *Observation not settled.*

1.3. UNDERUTILIZATION OF PROPERTY AND NON-ACHIEVEMENT OF VALUE FOR MONEY – NU.0.134 MILLION

The Gewog Administration, Talog had procured materials worth Nu.0.134 million for the construction of a reservoir tank at Pachakha during the financial year 2015-2016. As per the plan, materials including 25 bags of cement were found issued and distributed to public for the construction of tap-stands. However, the cement bags were found damaged due to non-utilisation of the materials issued. In addition, the construction of Reservoir Tank was also not executed even at the time of audit in April 2017. The lapses were attributed to lack of proper coordination and consultation between the Gewog Administration and the community. *AIN: 15546; Para: 3.3; Accountabilities: Direct: Sonam Dorji, Site Engineer, EID # 200507214; Supervisory: Dorji Wangchuk, Gup, CID # 11008000399.*

Status: *The observation was settled based on the lapses action taken.*

VI. GUMA

During the year, the RAA conducted one audit of the Gewog Administration, Guma under Punakha Dzongkhag. There were four observations amounting to Nu.0.124 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.124 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.124 million as summarised below.

Out of the total unresolved irregularities of Nu.0.124 million reported to the Parliament in June 2019, the amount had not been settled as on 30 Sept. 2020. However, one observation under non-compliance to laws and rules had been settled based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
2	Shortfalls, Lapses and Deficiencies	0.124	-	0.124	-
	Total	0.124	-	0.124	

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

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

1.1. NON-COMPLIANCE TO MOF'S CIRCULAR ON PURCHASE OF HDPE PIPES

The Gewog Administration, Guma had procured HDPE pipes and cement worth Nu.0.124 million during the financial year 2016-2017 from source other than the Bhutanese manufacturers and authorized dealers. As per the notifications of the MoF, all government agencies are supposed to procure the HDPE pipes and cement from Bhutanese manufacturers and authorized dealers. Non-adherence to the circulars had led to deprivation of benefit of rebate to the Government. *AIN: 15547; Para: 3; Accountabilities: Direct: Dhendup Wangmo, Junior Engineer, EID # 200807183; Supervisory: Ugyen Khandu, Gup, CID # 11004001200.*

Status: *The observation was settled.*

2. Shortfalls, Lapses and Deficiencies - Nu.0.124 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.124 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Excess payment due to non-deduction of existing RRM work	0.077	-	0.077
2.2	Payments made for works not executed as per design	0.047	-	0.047
	Total	0.124	-	0.124

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

2.1. EXCESS PAYMENT DUE TO NON-DEDUCTION OF EXISTING RRM WORK - NU.0.077 MILLION

The Gewog Administration, Guma had made excess payment of Nu.0.077 million in the maintenance of Farm Road from Khuru to Gumakha under Guma Gewog due to non-deduction of existing/old RRM walls along the stretch of the road. M/s Yudul Construction, Punakha had executed only cement plastering works on the pre-existing walls and constructed some portions of the RRM walls but had claimed payments for the construction of the entire stretch of RRM walls along the road. In addition, the payments were found made as per measurements of the contractor with resultant excess payments. *AIN: 15547; Para: 1.2; Accountabilities: Direct: Dhendup Wangmo, Junior Engineer, EID # 200807183; Supervisory: Ugyen Khandu, Gup, CID # 11004001200.*

Status: Observation not settled.

2.2. PAYMENTS MADE FOR WORKS NOT EXECUTED AS PER DESIGN - NU.0.047 MILLION

The Gewog Administration, Guma had made payments of Nu.0.047 million for works not executed at site in the maintenance of Farm Road from Khuru to Gumakha under Guma Gewog. The construction of V-Shaped drainage and cement plastering works on the side of the RRM wall works were not executed as per design. *AIN: 15547; Para: 1.1; Accountabilities: Direct: Dhendup Wangmo, Junior Engineer, EID # 200807183; Supervisory: Ugyen Khandu, Gup, CID # 11004001200.*

Status: Observation not settled.

1.3.3.6 GEWOGS ADM. UNDER SAMDRUPJONGKHAR DZONGKHAG

I. PHUNTSHOTHANG

During the year, the RAA conducted one audit of the Gewog Administration, Phuntshothang under Samdrupjongkhar Dzongkhag. There were three observations amounting to Nu.0.123 million of which two observations amounting to Nu.0.047 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.076 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.076 million as summarised below.

Out of the total unresolved irregularities of Nu.0.076 million reported to the Parliament in June 2019 the same had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.076	0.076	-	100
	Total	0.076	0.076	-	

The details of unsettled irregularity reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies involving Nu.0.076 million is as indicated below:

1.1. INADMISSIBLE PAYMENT OF TRANSPORTATION CHARGES FOR SUPPLY OF HDPE PIPE - NU.0.076 MILLION

The Gewog Administration, Phuntshothang had made inadmissible payment of Nu.0.076 million on account of transportation charges for supply of HDPE pipes. The supply order was based on the quoted rate offered to Samdrup Jongkhar Dzongkhag for the financial year 2016-2017 by M/s Karma Tshongkhang, Samdrup Jongkhar. The supplier was found to have claimed transportation charges from Phuentsholing to Phuntshothang for transporting of HDPE pipes and the payments were also made accordingly. However, as per the terms and conditions of the contract agreement drawn between Dzongkhag Administration and the supplier, the rates were inclusive of transportation charges, and hence the payment was found inadmissible. The lapses had occurred apparently due to failure of the responsible officials to exercise due diligence while verifying the bills before making payment to the supplier. *AIN: 15123; Para: 2; Accountabilities: Direct: Jamyang Gyeltshen, Gup, CID # 11109000379; Supervisory: Jamyang Gyeltshen, Gup, CID # 11109000379.*

Status: *The observation was settled as the amount was deposited vide receipt No. 469610 of 19/04/19.*

II. SAMRANG

During the year, the RAA conducted one audit of the Gewog Administration, Samrang under Samdrupjongkhar Dzongkhag. There was one observation amounting to Nu.0.070 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.070 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.070 million as summarised below.

Out of the total unresolved irregularities of Nu.0.070 million reported to the Parliament in June 2019 the same had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.070	0.070	-	100
	Total	0.070	0.070	-	

The details of unsettled irregularity reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies involving Nu.0.070 million is as indicated below:

1.1. EXCESS PAYMENT IN THE CONSTRUCTION OF GEWOG OFFICE PARKING - NU.0.070 MILLION

The Gewog Administration, Samrang had made excess payments of Nu.0.070 million to the contractor in the construction of Gewog Office Parking at Samrang due to excess measurement of height of walls by 0.75 meters. M/s Tashi P Tobgyel, Samdrup Jongkhar was paid for quantities in excess of quantities actually executed at site.

The lapses had occurred due to inadequate supervision and recording the measurement of works in the MB without cross verifying with the actual quantum of works executed at site by the site engineer. *AIN: 15124; Para: 1; Accountabilities: Direct: Jigme Thinley, Junior Engineer, EID # 20120100127; Supervisory: Tarabir Bista, Gup CID # 1111000003.*

Status: *The observation was settled based on the amount deposited vide receipt No. 429037 of 11/09/2019*

III. LAURI

During the year, the RAA conducted one audit of the Gewog Administration, Lauri under Samdrupjongkhar Dzongkhag. There were two observations of which one was resolved prior to the compilation of the draft AAR 2018. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below:

The unresolved irregularity reported to the Parliament in June 2019 had not been settled by the Gewog Administration as on 30 Sept. 2020. The details of the same are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	-
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

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

1.1. NON-RECTIFICATION OF DEFECTIVE WORKS

The Gewog Administration, Lauri had not rectified defective works noted in the Construction of Retaining Walls at Zangthi along the Dungmanma Farm Road constructed by M/s Seryee Tashi Phodrang Construction, Samdrup Jongkhar. The construction works were completed on 7 June 2017 at a total cost of Nu.0.320 million. However, retaining walls measuring 21 meters were found collapsed. Subsequently, the Gewog Administration had issued a letter to the contractor to rectify/reconstruct the collapsed wall on 23 June 2017, despite which the contractor had failed to execute the rectification works at the time of audit in December 2017. The retaining wall had collapsed due to poor quality of the work executed, aggravated by lack of timely supervision and monitoring of site by the site engineer. *AIN: 15125; Para: 1; Accountabilities: Direct: Tashi Phuntsho, AE, EID # 201101232; Supervisory: Tempa Gyeltshen, Gup, CID # 1110400057.*

Status: *Observation not settled.*

1.3.3.7 GEWOGS ADMINISTRATION UNDER SAMTSE DZONGKHAG

I. DOPHOOGCHEN

During the year, the RAA conducted one audit of the Gewog Administration, Dophoogchen under Samtse Dzongkhag. There were four observations amounting to Nu.0.276 million of which three observations amounting to Nu.0.060 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.216 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.216 million as summarised below.

Out of the total unresolved irregularities of Nu.0.216 million reported to the Parliament in June 2019 the same had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observation are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.216	0.216	-	100
	Total	0.216	0.216	-	

The details of unsettled irregularity reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

There was a case of shortfalls, lapses and deficiencies involving Nu.0.216 million as indicated below:

1.1. OVERDUE OUTSTANDING ADVANCES - NU.0.216 MILLION

The Gewog Administration, Dophoogchen had overdue outstanding PW Advances amounting to Nu.0.216 million at the end of financial year 2016-17. Nu.0.060 million and Nu.0.113 million pertained to separate Mobilization advances for maintenance of Sengdhyen Community Lhakhang and Nu.0.043 million pertained to Mobilization advance for Community Contract of fencing of Sengdhyen Sale Counter. The lapses had occurred mainly due to lack of financial prudence and non-monitoring of the overdue outstanding advances on a periodic basis and non-adherence to the provisions of the FRR. *AIN: 15530; Para: 2; Accountabilities: Direct: Tashi Tobgay, AE, EID # 20130402087; Supervisory: Padam Bdr. Rai, Gup, CID # 11206003012.*

Status: *The observation was settled vide follow up report No.RAA/OAAG-Pling/Dop-Geog-B6/2019/754 dated.20/09/2019.*

II. DUENCHHUKHA

During the year, the RAA conducted one audit of the Gewog Administration, Duenchhukha under Samtse Dzongkhag. There were four observations amounting to Nu.0.394 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.394 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.104 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.290 million as summarised below.

Out of the total unresolved irregularities of Nu.0.290 million reported to the Parliament in June 2019, all the amount had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. However, one irregularity without monetary quantification remained unsettled as on 30 Sept. 2020 as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	0.090	0.090	-	100
2	Shortfalls, Lapses and Deficiencies	0.200	0.200	-	100
	Total	0.290	0.290	-	

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Mismanagement

There were cases of mismanagement involving Nu.0.090 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Refund without obtaining releases-refundable and payment thereof	0.090	0.090	-

1.2	Irregularities in the construction of irrigation channel and purchase of hdpe pipes	-	-	Unsettled
	Total	0.090	0.090	-

The cases of mismanagement are as indicated below:

1.1. REFUND WITHOUT OBTAINING RELEASES-REFUNDABLE AND PAYMENT THEREOF - NU.0.090 MILLION

The Gewog Administration, Duenchhukha had unreconciled difference of Nu.0.090 million in the refundable deposit account for the financial year 2016-2017. Against the actual refundable release obtained from the DPA amounting to Nu.4.880 million, the Gewog Administration had refunded Nu.4.970 million to parties with resultant excess payment of Nu.0.090 million.

The excess refund was met from the LC budget which had understated the closing fund balance at the end of the financial year by Nu.0.090 million. *AIN: 15531; Para: 1; Accountabilities: Direct: Chandraman Bandari, Gup, CID # 11205000007; Supervisory: Chandraman Bandari, Gup, CID # 11205000007.*

Status: *The observation was settled vide letter No.RAA/OAAG-Pling/den-Geog-B5/2019/347 dated.14/10/2019.*

1.2. IRREGULARITIES IN THE CONSTRUCTION OF IRRIGATION CHANNEL AND PURCHASE OF HDPE PIPES

The Gewog Administration, Duenchhukha had deficiencies and discrepancies in the procurement of HDPE pipes for irrigation channel worth Nu.1.553 million as under:

- i. The fund for the purchase of HDPE pipes was obtained by re-appropriating the Gewog Development Grant (GDG) budget allocated for construction of farm road without consultation with gewog community;
- ii. There were no documents to validate that contractor had failed to execute work due to non-availability of required machineries despite issue of Work Order and repeated reminders;
- iii. There were no endorsement of the Gewog Tshogchung (GT) and/or consent of the DNB for creating new activity in the MYRB system and re-appropriation of the fund;
- iv. The requisite survey report and technical estimate prepared by the site engineer were not made available;
- v. There were differences in the delivery Challans dates and the acknowledgement receipts. Shetekha and Gawaling-Kharzing had declared/stated that the HDPE pipes were received on 10/05/2017, whereas the delivery Challans issued in support of the transportation claims made by the transporter showed that HDPE pipes were delivered on 05/06/2017, which was almost a month later; and
- vi. The quantity of HDPE pipes supplied were indicated in numbers on the Tshogpa's receipts, whereas the quantity as per supplier's Bills & Challans were in meters.

The lapses had occurred due to failure on part of the Gewog Administration to discharge responsibilities with due diligence and lacked transparency/accountability. *AIN: 15531; Para: 4; Accountabilities: Direct: Chandraman Bandari, Gup, CID # 11205000007; Supervisory: Chandraman Bandari, Gup, CID # 11205000007.*

Status: *Observation not settled. The Gewog Administration has not furnished Work Order and reminder letters issued to the Machinery Hiring Agent.*

2. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies involving Nu.0.200 million is as indicated below:

2.1. OUTSTANDING ADVANCES - NU.0.200 MILLION

The Gewog Administration, Duenchhukha had overdue outstanding PW Advances amounting to Nu.0.200 million for the financial year 2016-2017. The lapses had occurred mainly due to non-regulation of advance as per FRR and non-monitoring of the overdue outstanding advances on a periodic basis. *AIN: 15531; Para: 2; Accountabilities: Direct: Chandraman Bandari, Gup, CID # 11205000007; Supervisory: Chandraman Bandari, Gup, CID # 11205000007.*

Status: *The observation was settled vide letter No.RAA/OAAG-Pling/Den-Geog-B5/2019/131 dated.02/12/2019.*

III. NAMGAYCHHOELING

During the year, the RAA conducted one audit of the Gewog Administration, Namgaychhoeling under Samtse Dzongkhag. There were two observations amounting to Nu.0.045 million of which one observation amounting to Nu.0.004 million did not qualify for inclusion in the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.041 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.041 million as summarised below.

Out of the total unresolved irregularities of Nu.0.041 million reported to the Parliament in June 2019 the same had not been settled by the Gewog Administration as on 30 Sept. 2020 as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.041	-	0.041	-
	Total	0.041	-	0.041	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies – Nu.0.041 million

The case of shortfalls, lapses and deficiencies involving Nu.0.041 million is as indicated below:

1.1. OUTSTANDING ADVANCES - NU.0.041 MILLION

The Gewog Administration, Namgaychhoeling had overdue outstanding POL Advance amounting to Nu.0.041 million for financial year 2016-2017. The outstanding POL advance against BOD, Tashichholing, was found misappropriated by the deceased Accountant, late Ngawang Jamtsho. *AIN: 15532; Para: 1; Accountabilities: Direct: Ratna Bdr. Ghalley, Gup, CID # 11209001011; Supervisory: Ratna Bdr. Ghalley, Gup, CID # 11209001011.*

Status: *Observation not settled.*

IV. YOESLTSE

During the year, the RAA conducted one audit of the Gewog Administration, Yoeseltse under Samtse Dzongkhag. There were three observations amounting to Nu.0.877 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.877 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.845 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.032 million as summarised below.

Out of the total unresolved irregularities of Nu.0.032 million reported to the Parliament in June 2019 the same had not been settled by the Gewog Administration as on 30 Sept. 2020. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.032	-	0.032	-
	Total	0.032	-	0.032	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies - Nu.0.032 million

The case of shortfalls, lapses and deficiencies involving Nu.0.032 million is as indicated below

1.1. INADMISSIBLE ADJUSTMENT OF ADVANCE - NU.0.032 MILLION

Out of the total PW advances of Nu.1.000 million adjusted by the Gewog Administration, Yoeseltse against transportation of bridge components and other overheads, Nu.0.032 million was found inadmissible due to deviation from the quoted rate in the construction of bridge at Kuchidiana and stood as recoverable. *AIN: 15567; Para: 1; Accountabilities: Direct: Rinchen Wangmo, Asst. Engineer, EID #: 200407020; Mamta Monggar, Jr. Engineer, EID # 20140103489; Supervisory: Kunzang Dorji, Distt. Engineer, EID # 9807036.*

Status: *Observation not settled.*

V. NORBOOGANG

During the year, the RAA conducted one audit of the Gewog Administration, Norboogang under Samtse Dzongkhag. There were four observations amounting to Nu.1.132 million of which two observations amounting to Nu.0.028 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.104 million. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.104 million as summarised below.

Out of the total unresolved irregularities of Nu.1.104 million reported to the Parliament in June 2019 the amount had not been settled by the Gewog Administration as on 30 Sept. 2020. The unresolved significant irregularities are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	1.104	-	1.104	-
	Total	1.104	-	1.104	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 are as discussed below:

1. Shortfalls, Lapses and Deficiencies – Nu.1.104 million

The cases of shortfalls, lapses and deficiencies involving Nu.1.104 million are as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Excess payment due to acceptance of claims for engagement of machineries on hourly basis beyond the prescribed working hour standard	1.104	-	1.104
1.2	Claims entertained without preparing and maintaining PART III	-	-	Unsettled
	Total	1.104	-	1.104

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

1.1. EXCESS PAYMENT DUE TO ACCEPTANCE OF CLAIMS FOR ENGAGEMENT OF MACHINERIES ON HOURLY BASIS BEYOND THE PRESCRIBED WORKING HOUR STANDARD - NU.1.104 MILLION

The Gewog Administration, Norboogang had made excess payment of Nu.1.104 million due to acceptance of claims for engagement of machineries on hourly basis beyond the prescribed working hours. In addition, the claims were not supported with adequate documentation such as Part-III, required to be maintained for all departmentally executed works, to determine the legality of hours claimed for engagement of the machineries through proper assessment of volume of work executed in an hour. Further, the site engineers had not validated the number of hours worked, other than the *Lajab* and the machine operator. *AIN: 15574; Para: 2; Accountabilities: Direct: Kinzang, Assistant Engineer, EID #200807187; Supervisory: Kinga Wangdi, Gup, CID # 11404000566.*

Status: *Observation not settled.*

1.2. CLAIMS ENTERTAINED WITHOUT PREPARING AND MAINTAINING PART III

The Gewog Administration, Norboogang had entertained claims not supported by mandatory documents for the departmentally executed formation cutting works for farm roads. Although the provisions in the contract agreement specify payments for actual quantity of work done and measured at site, PART III were not found prepared and recorded in MB to determine actual volume/quantity of work done at site to form the basis of payments as required by the standing norms due to which the genuineness of the expenditure incurred for the works could not be ascertained. *AIN: 15574; Para: 4; Accountabilities: Direct: Kinley Dorji, GAO, EID #200705028; Supervisory: Kinga Wangdi, Gup, CID # 11404000566.*

Status: Observation not settled.

VI. NORLAYGANG

During the year, the RAA conducted one audit of the Gewog Administration, Norgaygang under Samtse Dzongkhag. There were five observations amounting to Nu.2.639 million of which two observations amounting to Nu.0.021 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.2.618 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.2.465 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.153 million as summarised below.

Out of the total unresolved irregularities of Nu.0.153 million reported to the Parliament in June 2019 the amount had not been settled by the Gewog Administration as on 30 Sept. 2020. The unresolved significant irregularities are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.153	-	0.153	-
	Total	0.153	-	0.153	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 are as discussed below:

1. Shortfalls, Lapses and Deficiencies – Nu.0.153 million

The case of shortfalls, lapses and deficiencies involving Nu.0.153 million is as indicated below:

1.1. EXCESS PAYMENTS DUE TO DIFFERENCE IN THE QUANTITIES RECORDED IN MB AND ACTUAL QUANTITIES EXECUTED AT SITE - NU.0.153 MILLION

The Gewog Administration, Norgaygang had made excess payment of Nu.0.164 million during the financial year 2016-2017 to the contractors for construction works under Norgaygang Gewog including:

- street lighting and site development;
- construction of barbed wire fencing and compound gate;
- construction of 2 Blocks of 2-Unit RNR Staff Quarter; and
- construction of 2 Blocks of 64-Bedded Hostel at Sherab Gatsel LSS.

The contractors were found paid for quantities in excess of quantities actually executed at site. The lapses had occurred apparently due to improper verification of actual work done at site by the site engineer and the Gewog Administration. As of 31 March 2019, recoveries of Nu.0.011 million was made leaving balance of Nu.0.153 million. *AIN: 15575; Para: 3; Accountabilities: Direct: Rinchen Dorji, Gup, CID # 11201001292; Supervisory: Rinchen Dorji, Gup, CID # 11201001292.*

Status: Observation not settled.

VII. PEMALING

During the year, the RAA conducted one audit of the Gewog Administration, Pemaling under Samtse Dzongkhag. There were five observations amounting to Nu.0.478 million of which one observation amounting to Nu.0.010 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.468 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.102 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.366 million as summarised below.

Out of the total unresolved irregularities of Nu.0.366 million reported to the Parliament in June 2019, Nu.0.271million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The unresolved significant irregularities amounting to Nu.0.095 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
2	Shortfalls, Lapses and Deficiencies	0.366	0.271	0.095	74.04
	Total	0.366	0.271	0.095	74.04

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

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

1.1. CLAIMS ENTERTAINED WITHOUT PREPARING AND MAINTAINING PART III

The Gewog Administration, Norgaygang had entertained claims not supported by mandatory documents for the formation-cutting works of farm roads. Although the provisions in the contract agreement specify payments for actual quantity of work done and measured at site, PART III were not found prepared and recorded in MB to determine actual volume/quantity of work done at site to form the basis of payments as required by the standing norms due to which the genuineness of the expenditure incurred for the works could not be ascertained. *AIN: 15576; Para: 4; Accountabilities: Direct: Khem Raj Ghalley, Gup; CID # 11202000751; Supervisory: Khem Raj Ghalley, Gup; CID # 11202000751.*

Status: *The observation was settled vide follow up report no.RAA/OAAG-Pling/Pem-Gw-B11/2019/265 dated.03/05/2019.*

2. Shortfalls, Lapses and Deficiencies - Nu.0.095 million

The case of shortfalls, lapses and deficiencies involving Nu.0.366 million are as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Excess payment due to acceptance of claims for engagement of machineries on hourly basis beyond the prescribed working hour standard	0.169	0.169	-
2.2	Excess payments due to difference in the quantities recorded in MB and actual quantities executed at site	0.102	0.102	-
2.3	Excess payment due to non-deduction of differential percentage on additional items executed	0.095	-	0.095
Total		0.366	0.271	0.095

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

2.1. EXCESS PAYMENT DUE TO ACCEPTANCE OF CLAIMS FOR ENGAGEMENT OF MACHINERIES ON HOURLY BASIS BEYOND THE PRESCRIBED WORKING HOUR STANDARD - NU.0.169 MILLION

The Gewog Administration, Pemaling had made excess payment of Nu.0.170 million due to acceptance of claims for engagement of machineries on hourly basis beyond the prescribed working hours. In addition, the claims were not supported with adequate documentation such as Part-III, required to be maintained for all departmentally executed works, to determine the number of hours of machineries engaged and volume of work executed. Further, the site engineers had not validated the number of hours worked, other than the *Lajab* and the machine operator. As of 31 March 2019, recoveries of Nu.0.001 million was made leaving balance of Nu.0.169 million. *AIN: 15576; Para: 1; Accountabilities: Direct: Khem Raj Ghalley, Gup; CID # 11202000751; Supervisory: Khem Raj Ghalley, Gup; CID # 11202000751.*

Status: *The observation was settled vide follow up report No.RAA/OAAG-Pling/Pem-Gw-B11/2019/265 dated.03/05/2019.*

2.2. EXCESS PAYMENTS DUE TO DIFFERENCE IN THE QUANTITIES RECORDED IN MB AND ACTUAL QUANTITIES EXECUTED AT SITE - NU.0.102 MILLION

The Gewog Administration, Pemaling had made excess payment of Nu.0.203 million during the financial year 2016-2017 to the contractors for construction works under the Gewog including:

- construction of 5.2 km Farm Road from Hatikhowa to Talley;
- construction of 5 km Farm Road from Lamitar to Gondaytar Pelbar;
- Maintenance of Farm road at Tachey Ghalley,
- Norgyeling Community contract.

The contractors were found paid for quantities in excess of quantities actually executed at site. The lapses had occurred apparently due to improper verification of actual work done at site by the site engineer and the Gewog Administration. As of 31 March 2019, recoveries/justification of Nu.0.101 million was made leaving balance of Nu.0.102 million. *AIN: 15576; Para: 2; Accountabilities: Direct: Khem Raj Ghalley, Gup; CID # 11202000751; Supervisory: Khem Raj Ghalley, Gup; CID # 11202000751.*

Status: *The observation was settled based on the re-verification done by the audit team and resultant excess payment of Nu.42,470.70 deposited into ARA on 14/03/2019.*

2.3. EXCESS PAYMENT DUE TO NON-DEDUCTION OF DIFFERENTIAL PERCENTAGE ON ADDITIONAL ITEMS EXECUTED - NU.0.095 MILLION

The Gewog Administration, Pemaling had made excess payment of Nu.0.095 million to contractor due to non-deduction of the differential percentage (%) on additional items executed in the constructions of 5.2 km Farm Road from Hatikhowa to Talley and 5 km Farm Road from Lamitar to Gondaytar. The lapses had occurred apparently due to non-application of standards/practices set by the Dzongkhag Administration uniformly. *AIN: 15576; Para: 3; Accountabilities: Direct: Khem Raj Ghalley, Gup; CID # 11202000751; Supervisory: Khem Raj Ghalley, Gup; CID # 11202000751.*

Status: *Observation not settled.*

VIII. PHUENTSHOGPELRI

During the year, the RAA conducted one audit of the Gewog Administration, Phuentshogpelri under Samtse Dzongkhag. There were two observations amounting to Nu.0.008 million of which one observation amounting to Nu.0.008 million did not qualify for inclusion in the draft AAR 2018. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below:

The unresolved irregularity reported to the Parliament in June 2019 had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The detail of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

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

1.1. NON-RECTIFICATION OF DAMAGED WORKS

The Gewog Administration, Phuentshogpelri had not cleared/rectified blockages and damages at various chainages (800 mtr, 1.95 km & 2.31 km) along the Dumsikhola to Kalapani farm road. The Gewog Administration and site engineer had accepted substandard works without proper verification as to the conditions of the road. *AIN: 15578; Para: 2; Accountabilities: Direct: Robot Lepcha, Gup, CID # 11212003548; Supervisory: Robot Lepcha, Gup, CID # 11212003548.*

Status: *The observation was settled vide letter No.RAA/OAAG-Pling/Phu-Gw-B10/2019/327 dated 04/06/2019.*

IX. SANGNGAGCHHOELING

During the year, the RAA conducted one audit of the Gewog Administration, Sangngagchhoeling under Samtse Dzongkhag. There were three observations amounting to Nu.0.134 million of which one observation amounting to Nu.0.004 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.130 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.130 million as summarised below.

Out of the total unresolved irregularities of Nu.0.130 million reported to the Parliament in June 2019, Nu.0.045 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The unresolved significant irregularities amounting to Nu.0.085 million as on 30 Sept. 2020 is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	0.045	0.045	-	100
2	Shortfalls, Lapses and Deficiencies	0.085	-	0.085	-
	Total	0.130	0.045	0.085	34.62

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Mismanagement

The case of mismanagement involving Nu.0.045 million is as indicated below:

1.1. NON-ACCOUNTAL OF COLLECTIONS INTO THE SCHOOL CHOUTHEN TSHOGPA FUND ACCOUNT - NU.0.045 MILLION

The former principal of Sangngagchhoeling LSS had not accounted collections of Nu.0.045 million into the school Chouthen Tshogpa fund account. After a meeting between the Gewog Administration and parents during the academic year 2013, Nu.100.00 per student amounting to Nu.0.045 million was collected as seed money which was not found deposited into the Chouten Tshogpa account. In addition, the collection list was not made available for verification. *AIN: 15581; Para: 3; Accountabilities: Direct: Sherub Gyeltshen, Principal, EID # 98082323; Supervisory: Sherub Gyeltshen, Principal, EID # 98082323.*

Status: *The observation was settled vide letter No.DA-04/Adm(03)/2019-2020/208 dated.03/10/2019 and the minutes of meeting of 86 HRC meeting dated 30/11/2017 as an appropriate action was taken against the accountable person.*

2. Shortfalls, Lapses and Deficiencies - Nu.0.085 million

The case of shortfalls, lapses and deficiencies involving Nu.0.085 million is as indicated below:

2.1. EXCESS PAYMENTS DUE TO DIFFERENCE IN THE QUANTITIES RECORDED IN MB AND ACTUAL QUANTITIES EXECUTED AT SITE - NU.0.085 MILLION

The Gewog Administration, Sangnagchhoeling had made excess payment of Nu.0.085 million during the financial year 2016-2017 to the contractors for construction works under the Gewog including:

- construction of permanent structure for Sangnagcholing to Nidupling farmroad;
- construction of permanent structure for Labarbot farmroad;
- construction of permanent structure for Karseling farmroad; and
- site development of RNR and Sangnagcholing Gewog office.

The contractors were found paid quantities in excess of quantities actually executed at site. The lapses had occurred apparently due to improper verification of actual work done at site by the site engineer and the Gewog Administration. *AIN: 15581; Para: 2; Accountabilities: Direct: Tshering Wangchuk, Asst. Engineer, EID #200407023; Supervisory: Kinzang Dorji, District Engineer, EID # 9807036.*

Status: Observation not settled.

X. TADING

During the year, the RAA conducted one audit of the Gewog Administration, Tading under Samtse Dzongkhag. There were two observations amounting to Nu.0.038 million of which one observation amounting to Nu.0.003 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.035 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.035 million as summarised below.

Out of the total unresolved irregularities of Nu.0.035 million reported to the Parliament in June 2019 the same had not been settled by the Gewog Administration as on 30 Sept. 2020. The unresolved significant irregularity as on 30 Sept. 2020 is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.035	-	0.035	-
	Total	0.035	-	0.035	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies-Nu.0.035

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

1.1. EXCESS PAYMENTS DUE TO DIFFERENCE IN THE QUANTITIES RECORDED IN MB AND ACTUAL QUANTITIES EXECUTED AT SITE - NU.0.035 MILLION

The Gewog Administration, Tading had made excess payment of Nu.0.035 million during the financial year 2016-2017 to the contractors for construction works under the Gewog including:

- construction of farmroad from Suntaley to Deotay;
- construction of farmroad from Khempagoan to Damjagsa (Tunuwa);
- construction of farmroad from Laptchakha to Nidulakha;
- construction of farmroad from Darapani to Ramtay;
- construction of Community ECCD Centre at Khempagang; and
- Community Contract given to the Khempa-Panzhing Community.

The contractors were found paid in excess of quantities actually executed at site. The lapses had occurred apparently due to improper verification of actual work done at site by the site engineer and the Gewog Administration. *AIN: 15582; Para: 1; Accountabilities: Direct: Tika Ram Giri, Executive Engineer, EID # 8601098; Supervisory: Kinznag Dorji, District Engineer, EID # 9807036.*

Status: Observation not settled

XI. TASHICHHOLING

During the year, the RAA conducted one audit of the Gewog Administration, Tashichholing under Samtse Dzongkhag. There were five observations amounting to Nu.0.362 million of which two observations amounting to Nu.0.019 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.343 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.343 million as summarised below.

Out of the total unresolved irregularities of Nu.0.343 million reported to the Parliament in June 2019, Nu.0.026 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The unresolved significant irregularities amounting to Nu.0.317 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	-	-	-	100
2	Non-compliance to Laws and Rules	-	-	-	-
3	Shortfalls, Lapses and Deficiencies	0.343	0.026	0.317	7.58
	Total	0.343	0.026	0.317	7.58

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Mismanagement

The case of mismanagement is as indicated below:

1.1. UNASCERTAINABLE SUNDAY MARKET FEE COLLECTION OF BELBOTAY BAZAAR AND IRREGULARITIES THEREOF

The Gewog Administration, Tashichhoeling had discrepancies in the collection and utilization of Sunday Market fees collected from vendors of Belbotay bazaar.

- The relevant bid documents for leasing of the Belbotay Sunday Market, if any, were not

- produced for scrutiny;
- The lease rent was found revised from Nu.0.030 million per month to Nu.0.01S million by the Gup, without any deliberation and also did not have the Gewog Tshogdu's approval in violation of the local government mandates and conducts;
- The Sunday market fee/tax collection was found retained by the Gewog Administration without obtaining an appropriate CD account from the MoF. Nu.0.28S million were found incurred on budgeted activities during the period from 1 January 2016 to 1 January 2017 but was not validated by an appropriate committee;
- The fee/tax collection lease was found discontinued and unaccounted for after 9 April 2017; and
- There were discrepancies in the total number of tickets printed and tickets issued, with unexplained gap in the ticket serial numbers due to which the actual total collection could not be verified.

Further, the Gewog Administration had not maintained proper books of accounts due to which the actual Sunday Market Fee/Tax collected and deposited in prior years could not be determined. *AIN: 15584; Para: 2; Accountabilities: Direct: Samir Giri, Gup, CID # 11202000900; Supervisory: Samir Giri, Gup, CID # 11202000900.*

Status: *The observation was settled vide letter No.RAA/OAAG-Pling/Sip-Gw-B14/2019/888 dated.15/11/2019.*

2. Non-compliance to Laws and Rules

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

2.1. CONSTRUCTION OF PERMANENT STRUCTURE (ROAD FURNITURE) AT GOLADANGLING FARM ROAD WITHOUT PROPER CURING FOR CEMENT WORKS

The Gewog Administration, Tashichhoeling had accepted substandard quality and defective works in the construction of permanent structures at Gola - Dangling Farm Road executed by M/s K.P Construction. There were cracks on the structures indicating poor workmanship and inadequate curing of cement works. The lapses had occurred due to inadequate supervision and monitoring by the site and supervising engineers. *AIN: 15584; Para: 4; Accountabilities: Direct: Samir Giri, Gup, CID # 11202000900; Supervisory: Samir Giri, Gup, CID # 11202000900.*

Status: *Observation not settled. The Gewog Administration has not submitted rectification report to RAA for validation.*

3. Shortfalls, Lapses and Deficiencies - Nu.0.317 million

The case of shortfalls, lapses and deficiencies involving Nu.0.343 million is as indicated below:

3.1. EXCESS PAYMENTS DUE TO DIFFERENCE IN THE QUANTITIES RECORDED IN MB AND ACTUAL QUANTITIES EXECUTED AT SITE - NU.0.343 MILLION

The Gewog Administration, Tashichhoeling had made excess payment of Nu.0.343 million during the financial year 2016-2017 to the contractors for construction works under the Gewog including:

- permanent works at Dangling to Tashichoeling PS farm road;
- permanent structures at Gola - Dangling farm road;
- RCC bridge over Sipsu River at Gola - Chebju farmroad; and
- maintenance of Singyegang farm road.

The contractors were found paid for quantities in excess of quantities actually executed at site. The lapses had occurred due to inadequate supervision and monitoring, and improper verification of

the bills with respect to the actual quantity of works executed at site. *AIN: 15584; Para: 3; Accountabilities: Direct: Samir Giri, Gup, CID # 11202000900; Supervisory: Samir Giri, Gup, CID # 11202000900.*

Status: *Observation partially settled. Out of the total amount of Nu.0.343 million; Nu.0.026 million has been deposited vide No.456673 dated.03/09/2019 leaving a balance of Nu.0.317 million.*

XII. TENDRUK

During the year, the RAA conducted one audit of the Gewog Administration, Tendruk under Samtse Dzongkhag. There were eight observations amounting to Nu.0.980 million of which two observations amounting to Nu.0.029 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.951 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.951 million as summarised below.

Out of the total unresolved irregularities of Nu.0.951 million reported to the Parliament in June 2019 the Gewog Administration had not settled any irregularities as on 30 Sept. 2020. The unresolved significant irregularities are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	0.393	-	0.393	-
2	Mismanagement	-	-	-	-
3	Non-compliance to Laws and Rules	0.036	-	0.036	-
4	Shortfalls, Lapses and Deficiencies	0.522	-	0.522	-
	Total	0.951	-	0.951	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 are as discussed below:

1. Fraud, Corruption and Embezzlement - Nu.0.393 million

The case with elements of fraud, corruption and embezzlement involving Nu.0.393 million is as indicated below:

1.1. NON-ACCOUNTAL OF SEED FUND OF NU.0.100 MILLION GRANTED BY HH KYABJE JE KHENPO RINPOCHE - NU.0.393 MILLION

The Gewog Administration, Tendruk had not accounted for Nu.0.100 million granted as seed fund by HH the Je Khenpo Rinpoche to the Gewog Tshogchung which comprised of the Commandant, RBA, Tendru, the Sipsu Drungpa, Principal of Tendru Central School, Lam Neten of Tendru Dratshang. The Tshogchung had failed to recover Nu.0.100 million loaned to former Gup, Pema Wangchuk for a period of one year at an interest rate of 3% per month on 22 October 2013. The principal sum was expected to accrue an interest of Nu.0.036 million and the total refundable sum of Nu.0.136 million was due for repayment on 1 November 2014.

However, the former Gup had neither refunded the amount, nor had the Tshogchug Committee pursued the issue legally through the court of law as per the agreement. Further, the principal sum

with interest over the years had remained outstanding and the dues amounted to Nu.0.393 million at the time of audit in March 2018. The default in payment had occurred primarily due to non-follow up of the repayment by the concerned Tshogchug Committee and non-enforcement of provisions of the agreement. *AIN: 15585; Para: 8; Accountabilities: Direct: Nima Dukpa, Gup, CID # 11216000379; Supervisory: Nima Dukpa, Gup, CID # 11216000379.*

Status: *Observation not settled.*

2. Mismanagement

The case of mismanagement is as indicated below:

2.1. CLAIMS ENTERTAINED WITHOUT PREPARING AND MAINTAINING PART III AND IRREGULARITIES THEREOF

The Gewog Administration, Tendruk had entertained claims not supported by mandatory documents for the departmentally executed formation cutting works for farm roads. Although the provisions in the contract agreement specify payments for actual quantity of work done and measured at site, PART III were not found prepared and recorded in MB to determine actual volume/quantity of work done at site.

In absence of PART III, the basis of payments as required and genuineness of the expenditure incurred for the works could not be ascertained. *AIN: 15585; Para: 6; Accountabilities: Direct: Nima Dukpa, Gup, CID # 11216000379; Supervisory: Nima Dukpa, Gup, CID # 11216000379.*

Status: *Observation not settled.*

3. Non-compliance to Laws and Rules - Nu.0.036 million

There were cases of non-compliance to laws and rules involving Nu.0.036 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1	Irregularities in tendering of the tenduthang RWSS rehabilitation works	-	-	Unsettled
3.2	Inadmissible payment due to execution of substandard work	0.036	-	0.036
	Total	0.036	-	0.036

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

3.1. IRREGULARITIES IN TENDERING OF THE TENDUTHAN RWSS REHABILITATION WORKS

The Gewog Administration, Tendruk had not adopted tendering procedures as per the provisions of PRR 2009 for the 'Rehabilitation works of Tenduthrang RWSS' awarded to Mr. Samdrup, Community Contractor at a total bid value of Nu.0.950 million, for three months commencing from 9 February 2017 and scheduled to complete on 9 May 2017. The total cost of the contract work amounted to Nu.0.955 million and included excavation in trenches for laying of pipelines and refilling of pipeline, FCR Tank and intake tank at source as per the RWSS designs.

There was no transparency in dissemination of Notice Inviting Tender (NIT) and no other records or documentary evidences were found to authenticate that due diligence was exercised to obtain bids from other prospective community contractors. Further, the Gup who chaired the committee and awarded the work was found to be a relative of the sole bidder and no conflict of interest was found declared while constituting the Tender Committee due to which the prevalence of conflict of interest in the award of the community contract tender could not be ruled out. *AIN: 15585; Para: 3; Accountabilities: Direct: Nima Dukpa, Gup, CID # 11216000379; Supervisory: Nima Dukpa, Gup, CID # 11216000379.*

Status: *Observation not settled.*

3.2. INADMISSIBLE PAYMENT DUE TO EXECUTION OF SUBSTANDARD WORK - NU.0.036 MILLION

The Gewog Administration, Tendruk had made inadmissible payment of Nu.0.036 million in the Tenduthrang RWSS for execution of substandard works while laying of pipes, with about 600 meters of pipes found exposed due to trenches not meeting the required depth of one feet excavation. The execution of substandard works are indicative of lack of supervision and monitoring of the work at site by the site engineer and the Gewog Administration. *AIN: 15585; Para: 4; Accountabilities: Direct: Nima Dukpa, Gup, CID # 11216000379; Supervisory: Nima Dukpa, Gup, CID # 11216000379.*

Status: *Observation not settled.*

4. Shortfalls, Lapses and Deficiencies – Nu.0.522 million

There were case of shortfalls, lapses and deficiencies involving Nu.0.522 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
4.1	Excess payment due to acceptance of claims for engagement of machineries on hourly basis beyond the prescribed working hours	0.105	-	0.105
4.2	Excess payments due to difference in the quantities recorded in MmB and actual quantities executed at site	0.417	-	0.417
Total		0.522	-	0.522

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

4.1. EXCESS PAYMENT DUE TO ACCEPTANCE OF CLAIMS FOR ENGAGEMENT OF MACHINERIES ON HOURLY BASIS BEYOND THE PRESCRIBED WORKING HOURS - NU.0.105 MILLION

The Gewog Administration, Tendruk had made excess payment of Nu.0.105 million due to acceptance of claims for engagement of machineries on hourly basis beyond the prescribed working hours. In addition, the claims were not supported with adequate documentation such as PART-III, required to be maintained for all departmentally executed works, to determine the number of hours of machineries engaged and volume of work executed. Further, the site engineers had not validated the number of hours worked, other than the *Lajab* and the machine operator. *AIN: 15585; Para: 1; Accountabilities: Direct: Nima Dukpa, Gup, CID # 11216000379; Supervisory: Nima Dukpa, Gup, CID # 11216000379.*

Status: Observation not settled.

4.2. EXCESS PAYMENTS DUE TO DIFFERENCE IN THE QUANTITIES RECORDED IN MB AND ACTUAL QUANTITIES EXECUTED AT SITE - NU.0.417 MILLION

The Gewog Administration, Tendruk had made excess payment of Nu.0.417 million during the financial year 2016-2017 to the contractors for construction works under the Gewog including:

- construction of farmroad from Kuchin to Jumseling; and
- construction of pipe line for irrigation channel at Kachin.

The contractors were found paid in excess of quantities actually executed at site. The lapses had occurred due to inadequate supervision and monitoring, and improper verification of the bills with respect to the actual quantity of works executed at site. *AIN: 15585; Para: 2; Accountabilities: Direct: Nima Dukpa, Gup, CID # 11216000379; Supervisory: Nima Dukpa, Gup, CID # 11216000379.*

Status: Observation not settled.

XIII. DOONGTOED

During the year, the RAA conducted one audit of the Gewog Administration, Doongtoed under Samtse Dzongkhag. There were two observations amounting to Nu.0.454 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.454 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.454 million as summarised below.

Out of the total unresolved irregularities of Nu.0.454 million reported to the Parliament in June 2019 all the amounts had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.454	0.454	-	100
	Total	0.454	0.454	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies involving Nu.0.454 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Outstanding advances	0.221	0.221	-
1.2	Excess payment as the actual quantity of work executed at site	0.233	0.233	-
Total		0.454	0.454	-

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

1.1. OUTSTANDING ADVANCES - NU.0.221 MILLION

The Gewog Administration, Doongtoed had overdue outstanding PW Advances amounting to Nu.0.221 million against M/s Samten Construction. The amount pertained to Mobilization advance for construction of RNR Quarters at Daragoan given during the financial year 2016- 2017. The Administration had not liquidated the mobilization advances fully from the contractor. The lapses indicated non-regulation of advances and non-monitoring of the overdue outstanding advances on a periodic basis as required by the FRR. *AIN: 15599; Para: 1; Accountabilities: Direct: Damber Singh Rai, Gup, CID: 11207000004; Supervisory: Damber Singh Rai, Gup, CID: 11207000004.*

Status: *The observation was settled vide follow up letter No.RAA/OAAG-Pling/Dom-Geog-B7/2019/210 dted.16/04/2019.*

1.2. EXCESS PAYMENTS DUE TO DIFFERENCE IN THE QUANTITIES RECORDED IN MB AND ACTUAL QUANTITIES EXECUTED AT SITE - NU.0.233 MILLION

The Gewog Administration, Doongtoed had made excess payment of Nu.0.233 million to the contractors for construction of farm roads from:

- Gewog Centre to Sanu Dumtoe; and
- Dumtoe Chewa to Daragoan.

The contractors were found paid in excess of quantities actually executed at site. The lapses had occurred due to inadequate supervision and monitoring, and improper verification of the bills with respect to the actual quantity of works executed at site. *AIN: 15599; Para: 2. Accountabilities: Direct: Damber Singh Rai, Gup, CID: 11207000004; M/s Druk Samden Lhendup Construction, CDB # 6964, M/s Druk Gyelyong Const. CDB#1817; Supervisory: Damber Singh Rai, Gup, CID: 11207000004.*

Status: *The observation was settled as the amount was deposited vide receipt No. 428816 dated 28.4.2020.*

1.3.3.8 GEWOGS ADMINISTRATION UNDER SARPANG DZONGKHAG

I. GELEGPBU

During the year, the RAA conducted one audit of the Gewog Administration, Gelegphu under Sarpang Dzongkhag. There was one observation which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity was reported in the draft AAR 2018.

The unresolved significant irregularity reported to the Parliament in June 2019 had remained unsettled as on 30 Sept. 2020. The detail of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	-
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

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

1.1 DELAY IN EXECUTION OF RWSS AND LIABLE LIQUIDATED DAMAGES

The Gewog Administration, Gelegphu had significant delays in the construction of RWSS under the Gewog. The contract was awarded to M/s P.T. Construction on 23 June 2016 and was scheduled to be completed on 23 June 2017. However, the actual progress of work at site was found delayed by more than eight months at the time of audit in February 2018. The delay had even crossed the maximum Liquidated Damages (LD) period and the contractor was liable for LD of 10% on the final contract price. In addition, the contract had not been terminated for breach of contract caused by the delay. Further, the project also had improper feasibility study, flaw in design and wrong alignment of pipeline. *AIN: 15389; Para: 1; Accountabilities: Direct: Ugyen Wangchuk, Gup, CID # 11306002353; Supervisory: Ugyen Phuntsho, Gewog Engineer, EID # 20140103485.*

Status: Observation not settled. ATR reminder send on 7/9/2020.

1.3.3.9 GEWOGS ADMINISTRATION UNDER THIMPHU DZONGKHAG

I. SOE

During the year, the RAA conducted one audit of the Gewog Administration, Soe under Thimphu Dzongkhag. There was one observation amounting to Nu.0.228 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.228 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.228 million as summarised below.

Out of the total unresolved irregularities of Nu.0.228 million reported to the Parliament in June 2019 the amount had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.228	0.228	-	100
	Total	0.228	0.228	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies involving Nu.0.228 million is as indicated below:

1.1. EXCESS PAYMENT IN CONSTRUCTION OF STAFF QUARTER - NU.0.228 MILLION

The Gewog Administration, Soe had made excess payment of Nu.0.228 million to the Community contractor due to arithmetical errors in computation of quantities in the final RA bill where the contractor was paid for higher quantity in the construction of staff quarter. The excess payment had occurred due to the negligence on the part of site engineer while verifying the contractor's bill. *AIN: 15398; Para: 1; Accountabilities: Direct: Ugen Phuntsho, Assistant Engineer, EID # 20140103306; Rinzin, Community Contractor, CID # 11409000111; Supervisory: Chhabi Lal Das, Dzongkhag Engineer, EID # 8808036.*

Status: *The observation was settled as the amount was deposited vide receipt No. 429589 dated 6.5.2020.*

II. MAEDWONG

During the year, the RAA conducted one audit of the Gewog Administration, Maedwong under Thimphu Dzongkhag. There were seven observations amounting to Nu.1.496 million of which none were resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.496 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Gewog Administration, observations amounting to Nu.1.224 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.272 million as summarised below.

Out of the total unresolved irregularities of Nu.0.272 million reported to the Parliament in June 2019, Nu.0.227 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The unresolved significant irregularities amounting to Nu.0.045 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.272	0.227	0.045	83.46
	Total	0.272	0.227	0.045	

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Shortfalls, Lapses and Deficiencies - Nu.0.045 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.272 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Excess payment made to contractor	0.045	-	0.045
1.2	Excess payment due to difference in rates	0.128	0.128	-
1.3	Mismatch of nominal pressure (PN) specification of HDPE pipes and financial implication thereof	0.099	0.099	-
	Total	0.272	0.227	0.045

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

1.1 EXCESS PAYMENT MADE TO CONTRACTOR - NU.0.045 MILLION

The Gewog Administration, Maedwong had made excess payment of Nu.0.045 million to the contractor due to acceptance of quantity in excess of the quantity actually executed at site in the construction of Bjemina to Lingzhiphakha Farm Road. The lapses indicated control weakness. *AIN: 15414; Para: 2.1; Accountabilities: Direct: Tshewang Samdrup, Assistant Engineer, EID # 200311004; Phurba Sherpa, Community Contractor, CID #11407001893; Supervisory: Chhabi Lal Das, Dzongkhag Engineer, EID # 8808036.*

Status: *Observation not settled.*

1.2 EXCESS PAYMENT DUE TO DIFFERENCE IN RATES - NU.0.128 MILLION

The Gewog Administration, Maedwong had made excess payment of Nu.0.128 million to the community contractor due to payment at inflated rates in the maintenance of Siluna farm road. The concerned officials had failed to discharge their duties and responsibilities with due diligence. *AIN: 15414; Para: 2.2; Accountabilities: Direct: Tshewang Samdrup, Assistant Engineer, EID # 200311004; Phurba Sherpa, Community Contractor, CID # 11407001893; Supervisory: Chhabi Lal Das, Dzongkhag Engineer, EID # 8808036.*

Status: *The observation was settled as Nu. 36,584.00 was deposited vide receipt No. 428576 dated 20.5.19 and the balance amount dropped based on the justification and documents submitted vide letter No. GAM/PHA-2/16/2018-2019/1289 dated 17th May, 2019.*

1.3 EXCESS PAYMENT DUE TO MISMATCH OF SPECIFICATION OF HDPE PIPES - NU.0.099 MILLION

The Gewog Administration, Maedwong had procured and paid for 162 meters of 250 mm OD/PN- 6 HDPE pipes to M/s Muktsen Construction, Phuentsholing for the construction of Siluna Farm road. However, the specifications of the materials provided were 250mm/PN-4 HDPE pipes and did not match the specifications paid for, which resulted into excess payment of Nu.0.099 million. *AIN: 15414; Para: 2.3; Accountabilities: Direct: Tshewang Samdrup, Assistant Engineer, EID # 200311004; M/s Muktsen Construction, License # 2007619; Supervisory: Chhabi Lal Das, Dzongkhag Engineer, EID # 8808036.*

Status: *Observation partially settled. The principal amount of Nu.0.099 million was deposited vide receipt No. 429387 dated 27/11/19. However, 24% pa accumulated penalty of Nu.654.14 remained unsettled.*

1.3.3.10 GEWOGS ADM. UNDER TRASHIGANG DZONGKHAG

I. PHONGMEY

During the year, the RAA conducted one audit of the Gewog Administration, Phongmey under Trashigang Dzongkhag. There was one observation which was not resolved prior to the compilation of the draft AAR 2018. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

The unresolved irregularity reported to the Parliament in June 2019 had not been settled by the Gewog Administration as on 30 Sept. 2020. The detail of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	-	-	-	-
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

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

1.1. NON EXECUTION OF RENOVATION WORK OF BUMPA LHAKHANG

The Gewog Administration, Phongmey had not executed the renovation works of Bumpa Lhakhang even after two financial years. The renovation of Bumpa Lhakhang was awarded as a Community Contract on 10 January 2016 and scheduled to be completed on 10 January 2018. However, the contractor has only mobilized the construction materials at site and had not commenced works even at the time of audit in February 2018. The lapses had apparently occurred due to failure on the part of Gewog Administration to obtain the approval from relevant authorities. *AIN: 15322; Para: 1; Accountabilities: Direct: Pelden Dorji, Gup, CID # 11509000811; Supervisory: Kinley Penjor, GAO, EID # 200803059.*

Status: *Observation not settled.*

II. KANGLUNG

During the year, the RAA conducted one audit of the Gewog Administration, Kanglung under Trashigang Dzongkhag. There were three observations amounting to Nu.0.210 million of which one observation amounting to Nu.0.018 million was resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.192 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.192 million as summarised below.

Out of the total unresolved irregularities of Nu.0.192 million reported to the Parliament in June 2019 the irregularities had not been settled by the Gewog Administration as on 30 Sept. 2020. The

unresolved significant irregularities are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	0.192	-	- 0.192	-
2	Non-compliance to Laws and Rules	-	-	-	-
	Total	0.192		- 0.192	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 are as discussed below:

1. Mismanagement – Nu.0.192 million

The case of mismanagement amounting to Nu.0.192 million is as indicated below:

1.1. NON-DEPOSIT OF RENT COLLECTION IN THE RGR ACCOUNT - NU.0.192 MILLION

The Gewog Administration, Kanglung had not deposited Nu.0.192 million collected as rent into the RGR Account during the financial year 2016-2017. The collections from rental of old Gewog office, old collection shed and RNR quarter were found deposited into the Gewog CD account in contravention to the Revenue Accounting Manual 2004. The collections were found retained for meeting contingency expenses by the Gewog. *AIN: 15327; Para: 3; Accountabilities: Direct: Kinzang Dorji, Gup, CID # 11503004683; Supervisory: Kinzang Dorji, Gup, CID # 11503004683.*

Status: *Observation not settled.*

2. Non-compliance to Laws and Rules

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

2.1. ACQUISITION OF LAND AND BUILDING AT YONGPHU LHAKHANG WITHOUT APPROVAL

The Gewog Administration, Kanglung had acquired 0.229 acres of private land with a one-storied building and 1.909 acres of land for Yonphu Lhakhang at the total lump sum cost of Nu.3.000 million during the financial year 2015-2016 without prior approval from competent authority. Nu.2.000 million was met from the GDG in contravention to the GDG Guidelines 2014 and Nu.0.067 million was met from Gewog CD Account in the financial year 2016-2017. The lapses had apparently occurred due to failure on the part of Gewog Administration to follow due processes while acquiring the private property as required by the Land Act 2007 of Bhutan and failure to adhere to GDG Guidelines 2014. The Gewog Administration has also failed to seek necessary guidance from the Dzongkhag Authorities while acquiring the property. *AIN: 15327; Para: 2; Accountabilities: Direct: Kinzang Dorji, Gup, CID # 11503004683; Supervisory: Kinzang Dorji, Gup, CID # 11503004683.*

Status: *Observation not settled.*

III. MERAG

During the year, the RAA conducted one audit of the Gewog Administration, Merag under Trashigang

Dzongkhag. There were four observations amounting to Nu.1.426 million of which one observation amounting to Nu.0.015 million was resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.1.411 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.411 million as summarised below.

Out of the total unresolved irregularities of Nu.1.411 million reported to the Parliament in June 2019 all the irregularities had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	1.411	1.411	-	100
	Total	1.411	1.411	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies involving Nu.1.411 million are as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Release of full payment against the incomplete construction work	0.593	0.593	-
1.2	Acceptance of defective works	0.739	0.739	-
1.3	Disbursement of full payment against the ongoing construction of butter lamp house	0.080	0.080	-
	Total	1.411	1.411	-

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

1.1. RELEASE OF FULL PAYMENT AGAINST THE INCOMPLETE CONSTRUCTION WORK - NU.0.593 MILLION

The Gewog Administration, Merag had released final RA bill of Nu.0.593 million on 27 June 2017 against incomplete construction works of Community Meeting hall at Gengo. All requisite documents such as completion report, final measurement records and other mandatory enclosures, etc. were also found appended with the bill, despite the work being incomplete during the site visit in November 2017, which evidenced fabrication of documents on the part of the site engineer, Gewog Administration and the Engineering Cell, besides extending undue financial favour to the contractor. *AIN: 15347; Para: 1.2; Accountabilities: Direct: Binu Bishwa Karma, Assistant Engineer, EID # 200901083; Supervisory: Lam Dorji, Gup, CID # 11507000656.*

Status: The observation was settled vide review letter No. RAA/OAAG-SJ/FUS-01/2019/3795 dated 11.11.2019.

1.2. ACCEPTANCE OF DEFECTIVE WORKS - NU.0.739 MILLION

The Gewog Administration, Merag had accepted defective works worth Nu.0.739 million in the construction of Tshokhang and renovation of Gengo Lhakhang executed by M/s Kuenthuen Zeyzang Construction, Trashigang. Several defects were observed in the construction of 2-unit pour-flush toilets and renovation works indicating poor workmanship. The acceptance of defectives works and non-rectification indicated failure on the part of the Gewog Administration to exercise due diligence before releasing the final payment. *AIN: 15347; Para: 2.1; Accountabilities: Direct: Binu Bishwa Karma, Assistant Engineer, EID # 200901083; Supervisory: Lam Dorji, Gup, CID # 11507000656.*

Status: *The observation was settled vide review letter No. RAA/OAAG-SJ(AR-35)Gewog Administration/2019/3166 dated 1.5.2019.*

1.3. DISBURSEMENT OF FULL PAYMENT AGAINST THE ONGOING CONSTRUCTION OF BUTTER LAMP HOUSE - NU.0.080 MILLION

The Gewog Administration, Merag had released full payment of Nu.0.080 million to the contractor for the construction of butter lamp house in the renovation of Gengo Lhakhang, although the works had just begun and were not completed at the time of payment. The butter lamp house was not in the initial scope of contract work and was found proposed from the saving under the activity of Tshokhang Lhakhang. The full payment against ongoing work was not in line with the provisions of FRR. *AIN: 15347; para: 2.2; Accountabilities: Direct: Binu Bishwa Karma, Assistant Engineer, EID # 200901083; Supervisory: Lam Dorji, Gup, CID # 11507000656.*

Status: *The observation was settled vide review letter No. RAA/OAAG-SJ(AR-35)Gewog Administration/2019/3166 dated 1.5.2019.*

IV. THRIMSHING

During the year, the RAA conducted one audit of the Gewog Administration, Thrimshing under Trashigang Dzongkhag. There were three observations amounting to Nu.0.597 million of which two observations amounting to Nu.0.597 million were resolved prior to the compilation of the draft AAR 2018. The significant irregularity was reported in the draft AAR 2018. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

The unresolved irregularity reported to the Parliament in June 2019 had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The detail of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

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

1.1. NON-SETTLEMENT OF CLOSED WORK ACCOUNT

The Gewog Administration, Thrimshing had not settled the closed work account in the construction of Thungkhar-Berdungma Farm Road due to delay in completion of works. The Gewog Administration had withdrawn and deposited Nu.0.957 million into the Refundable Deposit Account against the incomplete roadwork under Closed Work Account which was not in line with the provisions of the Closed Work Account. The construction works were found completed but no handing/taking over of the site was done even after lapse of more than nine months at the time of audit in February 2018. Further, there were no records of hindrances maintained for the significant delays. *AIN: 15348; Para: 1; Accountabilities: Direct: Norbu Gyeltshen, Assistant Engineer, EID # 201401096; Supervisory: Ngawang Dorji, Gup, CID # 11514001318.*

Status: *The observation was settled based on the the justification of Gewog Administration Thrimshing and verification conducted by audit team.*

1.3.3.11 GEWOGSADM. UNDER TRASHIYANGTSE DZONGKHAG

I. BOOMDELING

During the year, the RAA conducted one audit of the Gewog Administration, Boomdeling under Trashiyangtse Dzongkhag. There was one observation which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity was reported in the draft AAR 2018. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

The unresolved irregularity reported to the Parliament in June 2019 had not been settled by the Gewog Administration as on 30 Sept. 2020. The detail of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	-
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

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

1.1. DELAY IN COMPLETION OF BRIDGE CONSTRUCTION AND LIABLE LIQUIDATED DAMAGES

The Gewog Administration, Boomdeling had substantial delays in the completion of construction of 125 meter Suspended Bridge at Tobrang for which M/s Banga Construction, Trashiyangtse was liable for liquidated damages. The construction work which started on 11 March 2016 and scheduled for completion on 11 December 2016 was delayed and found incomplete even at the time of audit in

January 2018. In addition, Nu.5.698 million representing 92% of the total contract value of Nu.6.193 million was paid to contractor leaving a balance of Nu.0.495 million. The lapses had occurred mainly because of the failure to supervise and monitor the work progress on time. *AIN: 15105; Para: 1; Accountabilities: Direct: Nima Wangdi, AE, EID # 20150105088; Supervisory: Mani Wangdi, Gup, CID # 11601001060.*

Status: *Observation not settled.*

1.3.3.12 GEWOGS ADMINISTRATION UNDER TRONGSA DZONGKHAG

I. DRAGTENG

During the year, the RAA conducted one audit of the Gewog Administration, Dragteng under Trongsa Dzongkhag. There were six observations amounting to Nu.0.876 million of which two observations amounting to Nu.0.450 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.426 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.426 million as summarised below.

Out of the total unresolved irregularities of Nu.0.426 million reported to the Parliament in June 2019, Nu.0.057 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The unresolved significant irregularities amounting to Nu.0.369 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.426	0.057	0.369	13.38
	Total	0.426	0.057	0.369	

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Shortfalls, Lapses and Deficiencies - Nu.0.369 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.426 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Outstanding advances	0.050	-	0.050
1.2	Excess payment in the renovation of Toedchu Irrigation Channel	0.061	-	0.061
1.3	Payment for non/partial receipt of goods	0.258	-	0.258

1.4	Excess payment for the retaining wall	0.057	0.057	-
	Total	0.426	0.057	0.369

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

1.1. OUTSTANDING ADVANCES - NU.0.050 MILLION

The Gewog Administration, Dragteng had overdue advances amounting to Nu.0.050 million against M/s Yangka Hiring Agency as on 30 June 2018. The lapses had occurred apparently due to lack of timely follow-up against recovery of outstanding advance. *AIN: 15500; Para: 1; Accountabilities: Direct: Lham Dorji, Ex-Gup, CID # 11703000465; Supervisory: Lham Dorji, Ex-Gup, CID # 11703000465.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/804 dated 19/08/2019.*

1.2. EXCESS PAYMENT IN THE RENOVATION OF TOEDCHU IRRIGATION CHANNEL - NU.0.061 MILLION

The Gewog Administration, Dragteng had made excess payment of Nu.0.061 million to M/s Yundro construction, Trongsa for the Renovation of Toedchu Irrigation channel. The contractor was found paid for excess height of RRM wall than actually provided at site. The lapses are indicative of inadequate monitoring and supervision of the site during the execution as well as failure to exercise due diligence in certifying the claims of the contractor. *AIN: 15500; Para: 2; Accountabilities: Direct: Sonam Tshering, JE, EID # 20140103506; M/s Yundro construction, Trongsa, CBD # 7799; Supervisory: Sonam Dendup, Gup, CID # 11703000276.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/804 dated 19/08/2019.*

1.3. PAYMENT FOR NON/PARTIAL RECEIPT OF GOODS - NU.0.258 MILLION

The Gewog Administration, Dragteng had released full payment of Nu.0.400 million without receiving the materials valuing Nu.0.258 million for the construction of Lhaxhang in Pangzur. During the physical verification at site, roofing materials worth Nu.0.258 million was not available, although the payment was made. The lapses had occurred apparently due to lack of proper monitoring and supervision, and inadequate verification of invoice quantity and material received at site by the responsible officials. *AIN: 15500; Para: 3; Accountabilities: Direct: Namgyel, Tshogpa, CID # 11703000602; Supervisory: Tashi Dorji, GAO, EID # 200803039.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/804 dated 19/08/2019.*

1.4. EXCESS PAYMENT FOR THE RETAINING WALL - NU.0.057 MILLION

The Gewog Administration, Dragteng had made excess payment of Nu.0.057 million to the Community contractor in the construction of retaining wall at Langthil LSS. The contractor was paid for quantities in excess of the actual quantities executed at site. The lapses are indicative of inadequate monitoring and supervision of the site during the execution as well as failure to exercise due diligence in certifying the claims of the contractor. *AIN: 15500; Para: 4; Accountabilities: Direct: Namgyel Tshering, Principal, LLSS, EID # 200607372; Supervisory: Namgyel Tshering, GAO, EID # 200705066.*

Status: *The observation was settled as the amount was deposited vide R/No.469478 dated 15/07/2019.*

II. NUBI

During the year, the RAA conducted one audit of the Gewog Administration, Nubi under Trongsa Dzongkhag. There were five observations amounting to Nu.3.034 million of which none were resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.3.034 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.3.034 million as summarised below.

Out of the total unresolved irregularities of Nu.3.034 million reported to the Parliament in June 2019, the irregularities had not been settled by the Gewog Administration as on 30 Sept. 2020. The unresolved significant irregularities are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	3.034	-	3.034	-
	Total	3.034	-	3.034	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 are as discussed below:

1. Shortfalls, Lapses and Deficiencies – Nu.3.034 million

There were cases of shortfalls, lapses and deficiencies involving Nu.3.034 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Outstanding advances	2.010	-	2.010
1.2	Payment of final bills without completion of work	-	-	-
1.3	Payment made for works not/less executed	1.024	-	1.024
	Total	3.034	-	3.034

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

1.1. OUTSTANDING ADVANCES - NU.2.010 MILLION

The Gewog Administration, Nubi had overdue PW Advances amounting to Nu.2.010 million during the year 2016-2017. Nu.0.310 million pertained to M/s P. Norbu Construction, Nu.0.167 million pertained to M/s Jordan Construction and Nu.1.533 million was lying unadjusted against the Dzongda, Dzongkhag Administration, Trongsa. The non-liquidation of advances even after completion of works was in deviation to the provisions of the FRR. *AIN: 15512; Para: 1; Accountabilities: Direct: Phuntsho Galley, JE, EID # 20140103513; M/s P Norbu Construction, Contractor, CDB # 5333; Supervisory: Rinzin Dorji, Planning Officer, CID # 11410000678; Ugyen Tenzin, Gup, CID # 11704000066.*

Status: Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/802 dated 19/08/2019.

1.2. PAYMENT OF FINAL BILLS WITHOUT COMPLETION OF WORK

The Gewog Administration, Nubi had released full payment of final RA bills to the contractors without having completed the construction of farm roads. M/s Trophel Construction was paid Nu.1.197 million for the improvement of Chunipang to Karshong farm road and M/s Norwang Construction was paid Nu.1.204 million for the improvement of Chunipang to Drenzhi farm road on 23 June 2017. The release of full payment without completing the works was irregular and in violation of the FRR. *AIN: 15512; Para: 2; Accountabilities: Direct: Phuntsho Galley, JE, EID # 20140103513; Supervisory: Ugyen Tenzin, Gup, CID # 11704000066.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/802 dated 19/08/2019.*

1.3. EXCESS PAYMENT FOR WORKS NOT/LESS EXECUTED - NU.1.024 MILLION

a) The Gewog Administration, Nubi had made excess payment of Nu.0.551 million to M/s Norwang Construction, Trongsa for items of works not/short executed in the improvement of Chunipang to Drenzhi farm road. The excess payment had occurred due to release of payments to the contractor without actual completion of the work in all respects to avoid lapse of fund. *AIN: 15512; Para: 3; Accountabilities: Direct: Phuntsho Galley, JE, EID # 20140103513; M/s Norwang Construction, Contractor, CDB # 7609; Supervisory: Tashi Penden, Ex-Gup, 11704001027.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/802 dated 19/08/2019.*

b) Similarly, excess payment of Nu.0.389 million was made to M/s Trophel Construction, Trongsa for items of works not/short executed in the item of work 'Lined V-shaped drain' in the improvement of Chunipang to Karshong farm road. The excess payment had occurred due to release of payments to the contractor without actual completion of the work in all respects to avoid lapse of fund. *AIN: 15512; Para: 4; Accountabilities: Direct: Phuntsho Galley, JE, EID # 20140103513; M/s Trophel Construction, Contractor, CDB # 3988; Supervisory: Tashi Penden, Ex-Gup, 11704001027.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/802 dated 19/08/2019.*

c) The Gewog Administration had made excess payment of Nu.0.084 million to M/s Jongthang Medey Khabab, Trongsa in the improvement of Jongthangto Karshong farm road. The contractor was found paid for RRM box drain instead of RRM L-shaped drain. The lapses had occurred apparently due to inadequate monitoring and supervision of the site during execution and failure to exercise due diligence in certifying the claims of the contractor. *AIN: 15512; Para: 5; Accountabilities: Direct: Tobgay EE, EID # 201101170; Supervisory: Ugyen Tenzin, Gup, CID # 11704000066.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/802 dated 19/08/2019.*

III. TANGSIBJI

During the year, the RAA conducted one audit of the Gewog Administration, Tangsibji under Trongsa Dzongkhag. There was one observation amounting to Nu.0.047 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018

amounted to Nu.0.047 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.047 million as summarised below.

Out of the total unresolved irregularities of Nu.0.047 million reported to the Parliament in June 2019, the amount had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.047	0.047	-	100
	Total	0.047	0.047	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies - Nu.0.047 million

The case of shortfalls, lapses and deficiencies involving Nu.0.047 million is as indicated below:

1.1. REFUND OF SECURITY DEPOSITS WITHOUT OBTAINING REFUNDABLE RELEASE - NU.0.047 MILLION

The Gewog Administration, Tangsibji had refunded security deposits amounting to Nu.0.047 million to parties without obtaining equivalent releases from the DPA, MoF. In addition, the Gewog Administration had not reconciled the deposit and payments in the Refundable Deposit

Account on a regular basis and had not maintained proper records of transactions pertaining to the Refundable Deposit Account. *AIN: 15513; Para: 1; Accountabilities: Direct: Sangay Wangdi, Accountant, EID # 201007220; Supervisory: Gyembo Dorji, Gup, CID # 11705002197.*

Status: *The observation was settled as the amount was deposited vide R/No.429613 dated 08/11/2019.*

IV. KORPHOOG

During the year, the RAA conducted one audit of the Gewog Administration, Korphoog under Trongsa Dzongkhag. There were six observations amounting to Nu.3.920 million of which two observations amounting to Nu.0.050 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.3.870 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.3.870 million as summarised below.

Out of the total unresolved irregularities of Nu.3.870 million reported to the Parliament in June 2019, Nu.0.073 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The unresolved significant irregularities amounting to Nu.3.797 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	3.706	-	3.706	-
2	Non-compliance to Laws and Rules	0.073	0.073	-	100
3	Shortfalls, Lapses and Deficiencies	0.091	-	0.091	-
	Total	3.870	0.073	3.797	1.89

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Mismanagement - Nu.3.706 million

The case of mismanagement involving Nu.3.706 million is as indicated below:

1.1. WASTEFUL EXPENDITURE IN THE CONSTRUCTION OF MALING IRRIGATION WORK - NU.3.706 MILLION

The Gewog Administration, Korphoog had incurred wasteful expenditure of Nu.3.706 million in the construction of Maling Irrigation work. M/s Kezang Norbu Construction, Zhemgang was awarded the contract for Maling Irrigation work at the contract amount of Nu.4.738 million. Accordingly, the HDPE pipes of 225 mm dia valuing Nu.3.706 million was procured and laid by the contractor. The project proposal apparently was not well conceived as the irrigation work was specifically for the dry land and the potential benefits to the community were not visible and only a handful of intended beneficiaries owning dry land at the particular location was benefitted. Since irrigation facilities are usually constructed for wet land cultivations, the RAA was unable to comprehend how the project was proposed and approved.

In addition, there were damages to segments of pipelines due to construction of farm road from Nimshong to Lhaxhang which had not been rectified by the community or the Gewog Administration and were found discarded below the road rendering the scheme non-functional. The lapses had apparently occurred due to lack of proper planning of the project before its implementation. *AIN: 15514; Para: 5; Accountabilities: Direct: Sangay Khandu, Gup, CID # 11702001343; Supervisory: Sangay Khandu, Gup, CID # 11702001343.*

Status: Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/803 dated 19/08/2019.

2. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules involving Nu.0.073 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Delay in the completion of work	-	-	Settled
2.2	Defective works and inadmissible claim	0.073	0.073	-
	Total	0.073	0.073	

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

2.1. DELAY IN THE COMPLETION OF WORK

The Gewog Administration, Korphoog had delay in completion of works in the construction of Suspended Bridge at Nabji. The work was scheduled to be completed by 10 August 2017 but was found deferred by the Gewog Administration due to swelling river during the monsoon without any request/appeal from the contractor M/s A K Construction, Trongsa. Besides, there was no work deferral order issued to this effect and documented for record even at the time of audit in March 2018 due to which the actual number of days delayed and liquidated damages leviable could not be determined in audit. *AIN: 15514; Para: 3.1; Accountabilities: Direct: Sangay Dorji, JE, EID # 20140103509; M/s AK Construction, Contractor, CDB # 6097; Supervisory: Sangay Khandu, Gup, CID # 11702001343.*

Status: *The observation was settled as per the letter No.DAT/ES/10/2019/5348 dated 20/05/2019 based on the time extension granted by the Dzongkhag Tender Committee which was considered by the AAG, Bumthang on 21/05/2019.*

2.3. DEFECTIVE WORKS AND INADMISSIBLE CLAIM - NU.0.073 MILLION

The Gewog Administration, Korphoog had made inadmissible payment of Nu.0.073 million to M/s A.K Construction, Trongsa for not providing wire mesh netting along two sides of the bridge as per drawing and design, besides acceptance of defective works as under:

- ✓ The launching and hoisting of main cables were not laid properly;
- ✓ The required wind guy cables and wind ties were not found provided at site;
- ✓ The suspenders were found loosely hooked on the handrail cables due to improper fixing of nuts and bolts for suspender and steel decks which could pose risk to commuters;
- ✓ The handrail cable rested on RCC post were not laid in proportion to the size of post.

The lapses had occurred apparently due to lack of proper monitoring and supervision of work at site by the site engineer. *AIN: 15514; Para: 3.2; Accountabilities: Direct: Sangay Dorji, JE, EID # 20140103509; M/s AK Construction, Contractor, CDB # 6097; Supervisory: Sangay Khandu, Gup, CID # 11702001343.*

Status: *The observation was settled as per the letter No.DAT/ES/10/2019/5348 dated 20/05/2019 based on the rectification report submitted by the Gewog.*

3. Shortfalls, Lapses and Deficiencies - Nu.0.091 million

The case of shortfalls, lapses and deficiencies involving Nu.0.091 million is as indicated below:

3.1. OUTSTANDING ADVANCES - NU.0.091 MILLION

The Gewog Administration, Korphoog had overdue advances amounting to Nu.0.091 million during the year 2016-2017. The non-liquidation of advances even after completion of works was in deviation to the provisions of the FRR. *AIN: 15514; Para: 1; Accountabilities: Direct: Tshetrim Dorji, Ex-Gup, CID # 9912221u; Tshering Dendup, Accountant, EID # 2003070157; Supervisory: Tshetrim Dorji, Ex-Gup, CID # 9912221; Sangay Khandu, Gup, CID # 11702001343.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/803 dated 19/08/2019.*

1.3.3.13 GEWOGS ADMINISTRATION UNDER TSIRANG DZONGKHAG

I. SERGITHANG

During the year, the RAA conducted one audit of the Gewog Administration, Sergithang under Tsirang Dzongkhag. There were two observations amounting to Nu.0.001 million of which one observation amounting to Nu.0.001 million was resolved prior to the compilation of the draft AAR 2018. The significant unresolved irregularity was reported in the AAR 2018 as summarised below:

The unresolved irregularity reported to the Parliament in June 2019 had not been settled by the Gewog Administration as on 30 Sept. 2020. The detail of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	-
	Total	-	-	-	-

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

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

1.1. ACCEPTANCE OF INFERIOR OFFICE FURNITURE

The Gewog Administration, Sergithang had accepted office furniture viz., Wooden Bench, Wooden Sofa and Deewan valuing Nu.0.191 million from M/s JK Furniture, Samtse which were not as per the specifications. Also, the thickness of the cushion seat for sofa set as per supply order was 6" whereas the thickness of materials supplied was less than 4" and the rate of Nu.1,699.00 for wooden bench did not commensurate with the items supplied and was found to be of inferior quality. The Gewog Administration had failed to ascertain the correct specification of the furniture before certifying and releasing payment to the supplier. *AIN: 15120; Para: 2; Accountabilities: Direct: Man Bir Rai, Gup, CID # 11807000504; Supervisory: Man Bir Rai, Gup, CID # 11807000504.*

Status: *Observation not settled.*

II. TSIRANGTOE

During the year, the RAA conducted one audit of the Gewog Administration, Tsirangtoe under Tsirang Dzongkhag. There were eight observations amounting to Nu.0.810 million of which two observations amounting to Nu.0.015 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.795 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.795 million as summarised below.

Out of the total unresolved irregularities of Nu.0.795 million reported to the Parliament in June 2019, Nu.0.287 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the

RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The unresolved significant irregularities amounting to Nu.0.508 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.032	-	0.032	-
2	Shortfalls, Lapses and Deficiencies	0.763	0.287	0.476	37.61
	Total	0.795	0.287	0.508	36.10

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules - Nu.0.032 million

The case of non-compliance to laws and rules involving Nu.0.032 million is as indicated below:

1.1. NON-RECOUPMENT OF FUEL EXPENSES - NU.0.032 MILLION

The Gewog Administration, Tsirangtoe had not recouped a sum of Nu.0.032 million spent from the Gewog CD account for fueling of pool vehicle and as environment fee for construction of farm roads without necessary supporting documents. *AIN: 15121; Para: 5; Accountabilities: Direct: Nar Bahadur Rai, Gup, CID # 11812001170; Garja Man Rai, Mangimi, CID # 11812001498; Supervisory: Nar Bahadur Rai, Gup CID # 11812001170.*

Status: *Observation not settled.*

2. Shortfalls, Lapses and Deficiencies - Nu.0.476 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.763 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Excess payment due to short execution of works	0.287	0.287	-
2.2	Payment made for work not done	0.126	-	0.126
2.3	Excess payment in the construction of Tongshinang farm road	0.078	-	0.078
2.4	Payment for works not executed at site	0.055	-	0.055
2.5	Excessive procurement of Sawn timber	0.217	-	0.217
	Total	0.763	0.287	0.476

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

2.1. EXCESS PAYMENT DUE TO SHORT EXECUTION OF WORKS - NU.0.287 MILLION

The Gewog Administration, Tsirangtoe had made excess payment of Nu.0.287 million for the excavation works in the construction of Baktar-Takthang farm road due to short execution of works. M/s Zomina Construction had excavated only 3600 meters of farm road but was found paid for 4700

meters with resultant excess payment for 1100 meters. In addition, the farm road was also found taken over by the Gup and site engineer without constituting handing-taking over committee. The lapses had occurred apparently due to non-measurement and non-ascertainment of actual length of road. *AIN: 15121; Para: 1; Accountabilities: Direct: Karma Tshering, JE, EID # 201101222; Supervisory: Nar Bahadur Rai, Gup, CID # 11812001170.*

Status: *Observation was settled.*

2.2. PAYMENT MADE FOR WORK NOT DONE - NU.0.126 MILLION

The Gewog Administration, Tsirangtoe had made payment of Nu.0.126 million to the contractor for works not executed in the construction of Baktar-Takthang farm road. M/s Zomina Construction had not constructed protection & through walls, parapets and catch pits whereas payment had been released. The farm road was also found taken over by the Gup and site engineer without involving a committee due to which fraudulent practices cannot be ruled out. Further, the requirement of formation width of 5.1 meters for farm roads were not maintained throughout the stretch with all the turnings being too sharp causing difficulty to vehicles while negotiating the turns. The lapses had occurred apparently due to non-verification of works done before release of payment. *AIN: 15121; Para: 1.2; Accountabilities: Direct: Karma Tshering, JE, EID# 2001101222; Supervisory: Nar Bahadur Rai, Gup, CID # 11812001170.*

Status: *Observation not settled.*

2.3. EXCESS PAYMENT IN THE CONSTRUCTION OF TONGSHINANG FARM ROAD - NU.0.078 MILLION

The Gewog Administration, Tsirangtoe had made excess payment of Nu.0.078 million to the community contractor in the construction of Tongshinang Farm Road. M/s Zomina Construction had excavated only 2500 meters of farm road but was found paid for 2800 meters with resultant excess payment for 300 meters. The lapses had occurred due to failure of the supervising officials in exercising due diligence and verifying the actual length of the road. *AIN: 15121; Para: 2; Accountabilities: Direct: Karma Tshering, JE, EID # 2001101222; Supervisory: Nar Bahadur Rai, Gup, CID # 11812001170.*

Status: *Observation not settled.*

2.4. PAYMENT MADE FOR WORKS NOT EXECUTED - NU.0.055 MILLION

The Gewog Administration, Tsirangtoe had made payment of Nu.0.055 million to the community contractor, M/s Soentabsa for plumbing and electrical items of works not provided/executed in the maintenance of Tsirangtoed Lhakhang. The supervising officials had failed to exercise due diligence before disbursing the final RA bill. *AIN: 15121; Para: 3.1; Accountabilities: Direct: Karma Tshering, JE, EID # 2001101222; Supervisory: Nar Bahadur Rai, Gup, CID # 11812001170.*

Status: *Observation not settled.*

2.5. EXCESSIVE PROCUREMENT OF SAWN TIMBER - NU.0.217 MILLION

The Gewog Administration, Tsirangtoe had procured 706 cubic feet of timber from NRDCL, Gelephu and 1,670 cubic feet of timber from Mr. Ganga Ram Adhikari, Tsirangtoed in addition to timber procurement made in previous financial years for the maintenance of Tsirangtoed Lhakhang. However, balance of sawn timber worth Nu.0.217 million were found un-utilised and lying idle which indicated excessive procurement of timber due to improper planning. *AIN: 15121; Para: 3.2; Accountabilities:*

Direct: Karma Tshering, JE, EID # 2001101222; Supervisory: Nar Bahadur Rai, Gup, CID # 11812001170.

Status: Observation not settled.

III. GOSARLING

During the year, the RAA conducted one audit of the Gewog Administration, Gosarling under Tsirang Dzongkhag. There were six observations amounting to Nu.0.099 million of which two observations amounting to Nu.0.034 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.065 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.065 million as summarised below.

Out of the total unresolved irregularities of Nu.0.065 million reported to the Parliament in June 2019, all the irregularities had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
2	Shortfalls, Lapses and Deficiencies	0.065	0.065	-	100
	Total	0.065	0.065	-	100

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Acceptance of inferior office furniture	-	-	Settled
1.2	Acceptance of inferior quality of v-shape drains	-	-	Settled
1.3	Acceptance of laptops other than specified in the supplied order	-	-	Settled
	Total	-	-	-

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

1.1. ACCEPTANCE OF INFERIOR OFFICE FURNITURE

The Gewog Administration, Gosarling had accepted wooden bench and deewan valuing Nu.0.190 million from M/s JK Furniture, Samtse which were not as per the specifications. The rate of Nu.1,699.00 for wooden bench did not commensurate with the items supplied and was found to be of inferior quality. The Gewog Administration had failed to ascertain the correct specification of the furniture received before certifying and releasing payment to the supplier. *AIN: 15097; Para: 4; Accountabilities:*

Direct: Ram Bdr. Karki, Gup, CID # 21804000176; Supervisory: Ram Bdr. Karki, Gup, CID # 21804000176.

Status: *The observation was settled.*

1.2. ACCEPTANCE OF INFERIOR QUALITY OF V-SHAPE DRAINS

The Gewog Administration, Gosarling had accepted inferior quality of V-shaped drains in the construction of Manidara to Pemathang farm road. The v-shaped drains constructed were found to be of varying sizes and the 20 mm cement plaster were not done as required indicating poor workmanship and the works were taken over without proper inspection. The lapses had occurred apparently due to failure of site engineer and the Gewog Administration to monitor the works at the time of execution and due to inadequate supervision and verification by Dzongkhag Engineer as a supervising authority. *AIN: 15097; Para: 2.2; Accountabilities: Direct: Karma Tshering, AE, EID # 201101222; Supervisory: Ram Bdr. Karki, Gup, CID # 21804000176.*

Status: *The observation was settled.*

1.3. ACCEPTANCE OF LAPTOPS OTHER THAN SPECIFIED IN THE SUPPLIED ORDER

The Gewog Administration, Gosarling had accepted laptops other than specified in the Supply Order. M/s. Lamla Sales, Thimphu had supplied two laptops with different specifications, screen size and without genuine Operating System. The lapses had occurred due to lack of IT knowledge to check the specifications while taking delivery of the laptops from the Supplier and also failure on the part of the Gewog Administration to seek support of the Dzongkhag IT personnel before releasing the payment to the supplier. *AIN: 15097; Para: 3; Accountabilities: Direct: Ram Bdr. Karki, Gup, CID # 21804000176; Supervisory: Ram Bdr. Karki, Gup, CID # 21804000176.*

Status: *The observation was settled based on the lapses action taken vide letter No. GG/Audit04/2018-2019/63 dated: 27/08/2019.*

2. Shortfalls, Lapses and Deficiencies - Nu.0.065 million

The case of shortfalls, lapses and deficiencies Nu.0.065 million is as indicated below:

2.1. EXCESS PAYMENT FOR WORKS LESS EXECUTED - NU.0.065 MILLION

The Gewog Administration, Gosarling had made excess payment of Nu.0.065 million to M/s Nidup Construction, Paro due to improper verification of works executed at site in the construction of permanent structure & farm roads at Pemathang. The contractor had executed only 74.45 meters of gabion wall against the specified 92.90 meters, and hume pipes for cross drainage was not provided. The lapses had occurred apparently due to failure of site engineer and Dzongkhag engineer in exercising due diligence while ensuring the admissibility of contractor's claims. *AIN: 15097; Para: 1; Accountabilities: Direct: Karma Tshering, AE, EID # 201101222; Supervisory: Ram Bdr. Karki, Gup, CID # 21804000176.*

Status: *The observation was settled.*

IV. PATSHALING

During the year, the RAA conducted one audit of the Gewog Administration, Patshaling under Tsirang Dzongkhag. There were four observations amounting to Nu.0.896 million of which one observation

amounting to Nu.0.013 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.833 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.883 million as summarised below.

Out of the total unresolved irregularities of Nu.0.883 million reported to the Parliament in June 2019, the Gewog Administration had not settled any irregularities as on 30 Sept. 2020. The unresolved significant irregularities are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	-
2	Shortfalls, Lapses and Deficiencies	0.833	-	0.833	-
	Total	0.833	-	0.833	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Defective works in construction of Kitchen-cum-Store	-	-	Unsettled
1.2	Construction of Sub-standard Gabion walls along Pangthang Farm Road	-	-	Unsettled
	Total	-	-	

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

1.1. DEFECTIVE WORKS IN CONSTRUCTION OF KITCHEN-CUM-STORE

The Gewog Administration, Patshaling had not rectified defective works noted in the construction of Kitchen-cum-Store at Dhupi-dara Mandhir constructed by M/s Bahadur Construction, Tsirang. The hanging ceiling covering the plinth area was not painted properly; the walls were not white-washed after installation of earthing wires; the earthing plate could not be located at the area pointed out by the site engineer due to soil piled on top. The defective works indicated taking over of the works without proper verification and poor workmanship. *AIN: 15108; Para: 1; Accountabilities: Direct: Sita Ghalley, AE, EID # 200030703; Supervisory: Chabi Kumar Rai, Gup, CID # 11802001003.*

Status: *Obaervation not settled.*

1.2. CONSTRUCTION OF SUB-STANDARD GABION WALLS

The Gewog Administration, Patshaling had accepted substandard works executed in the construction of gabion wall along the Pangthang Farm Road, constructed by M/s Yam Construction, Tsirang. The

size of steel wire-mesh used for gabion crates were found below required sizes. The wire used were of 2.5 mm thickness but paid for 2.7 mm and found woven in square shape with one twist, instead of the specified hexagonal shape with three twists. In addition, the gabion wall at Shilaji Pakha was found destroyed by landslide and not rectified. The lapses indicated taking over of the works without proper verification and poor workmanship. *AIN: 15108; Para: 3; Accountabilities: Direct: Sita Ghalley, AE, EID # 200030703; Supervisory: Chabi Kumar Rai, Gup, CID # 11802001003.*

Status: *Obaervation not settled.*

2. Shortfalls, Lapses and Deficiencies – Nu.0.883 million

The case of shortfalls, lapses and deficiencies amounting to Nu.0.883 million is as indicated below:

2.1. NON-ACCOUNTAL OF HSD OIL AND LUBRICANTS - NU.0.883 MILLION

The Gewog Administration, Patshaling had not accounted Nu.0.883 million on account of HSD and lubricants procured during the financial year 2016-2017. The Gewog Administration had procured 16,304 liters of HSD oil and lubricants amounting to Nu.0.079 million but no stock registers were maintained to record the receipts and its utilization. *AIN: 15108; Para: 2.2; Accountabilities: Direct: Sita Ghalley, AE, EID # 200030703; Supervisory: Chabi Kumar Rai, Gup, CID # 11802001003.*

Status: *Obaervation not settled.*

V. BARSHONG

During the year, the RAA conducted one audit of the Gewog Administration, Barshong under Tsirang Dzongkhag. There were three observations amounting to Nu.0.138 million of which two observations amounting to Nu.0.054 million were resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.084 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.084 million as summarised below.

Out of the total unresolved irregularities of Nu.0.084 million reported to the Parliament in June 2019, the Gewog Administration had not settled the same as on 30 Sept. 2020. The unresolved significant irregularity is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.084	-	0.084	-
	Total	0.084	-	0.084	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1 Shortfalls, Lapses and Deficiencies – Nu.0.084 million

The case of shortfalls, lapses and deficiencies involving Nu.0.084 million is as indicated below:

1.1. PAYMENT IN EXCESS OF ESTIMATED AMOUNT IN COMMUNITY CONTRACT - NU.0.084 MILLION

The Gewog Administration, Barshong had made excess payment of Nu.0.084 million in the routine maintenance works for farm roads under the Gewog. Mjs Barshong Waiba Tshogpa, Community contractor was found paid Nu.0.500 million which was in excess of the estimated cost of Nu.0.416 million and in deviation to the Clause 34 of the Community Contracting Protocol. The lapses had occurred due to the Gewog Administration entertaining final payment beyond the work order amount. *AIN: 15096; Para: 3; Accountabilities: Direct: Chandra Bdr. Monger, Mangmi, CID # 11801001109; Supervisory: Dupten Tshering, GAO, EID #. 200803056.*

Status: *Observation not settled.*

1.3.3.14 GEWOGS ADM. UNDER WANGDUEPHODRANG DZONGKHAG

I. GASE TSHOWOGM

During the year, the RAA conducted one audit of the Gewog Administration, Gase Tshowogm under Wangduephodrang Dzongkhag. There was one observation amounting to Nu.0.144 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.144 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.144 million as summarised below.

Out of the total unresolved irregularities of Nu.0.144 million reported to the Parliament in June 2019, the same had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.144	0.144	-	100
	Total	0.144	0.144	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

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

1.1. RUSH OF EXPENDITURE AT THE CLOSE OF FINANCIAL YEAR - NU.0.144 MILLION

The Gewog Administration, Gase Tshowogm had procured HDPE pipes worth Nu.0.144 million on 24 June 2017 at the end of the financial year 2016-2017. The procurement was done on an ad-hoc basis and stock of 2500 meters of HDPE pipes were found not issued and lying idle in the store at the time of audit in April 2018 indicating rush of expenditure to avoid lapse of fund. *AIN: 15452; Para: 1; Accountabilities: Direct: Kinzang Thinley, Gup, CID # 11907000824; Supervisory: Kinzang Thinley, Gup,*

CID # 1190700082.

Status: The observation was settled vide letter No.RAA/OAAG(T)FUS-02/2019-2020/0507 of 14.02.2020.

1.3.3.1S GEWOGS ADMINISTRATION UNDER ZHEMGANG DZONGKHAG

I. PANGKHAR

During the year, the RAA conducted one audit of the Gewog Administration, Pangkhar under Zhemgang Dzongkhag. There was one observation amounting to Nu.0.050 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.050 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.050 million as summarised below.

Out of the total unresolved irregularities of Nu.0.050 million reported to the Parliament in June 2019, the Gewog Administration had settled all the irregularities as on 30 Sept. 2020. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.050	0.050	-	100
	Total	0.050	0.050	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies involving Nu.0.050 million is as indicated below:

1.1. EXCESS PAYMENT IN ROOF TRUSSES - NU.0.050 MILLION

The Gewog Administration, Phangkhar had made excess payment of Nu.0.050 million to M/s PRZ Construction, Thimphu for roof trusses in the construction of Crematorium at Pongchula and Tashibee Chiwogs. The contractor was paid for quantities in excess of the actual trusses provided at site. The lapses had occurred due to improper verification of the bills by the site engineer while passing the claims. *AIN: 15202; Para: 1; Accountabilities: Direct: Singye Wangchuk, AE, EID # 200507221; Supervisory: Tashi, Gup, CID # 12006001073.*

Status: The observation was settled as the amount was deposited vide R/No.469178 dated 04/07/2018.

II. GOSHING

During the year, the RAA conducted one audit of the Gewog Administration, Goshing under Zhemgang Dzongkhag. There was one observation amounting to Nu.0.035 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the

draft AAR 2018 amounted to Nu.0.035 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.035 million as summarised below.

Out of the total unresolved irregularities of Nu.0.035 million reported to the Parliament in June 2019, the Gewog Administration had settled the amount as on 30 Sept. 2020. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	0.035	0.035	-	100
	Total	0.035	0.035	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Mismanagement

The case of mismanagement involving Nu.0.035 million is as indicated below:

1.1. IRREGULAR EXPENDITURE INCURRED FROM CD ACCOUNT - NU.0.035 MILLION

The Gewog Administration, Goshing had incurred irregular expenditure of Nu.0.035 million on vehicle maintenance from the Gewog Administration's CD Account during the financial year 2016-2017. Since the normal budgetary release had budget provisions for vehicle maintenance, the booking of expenditure from the CD account was irregular. *AIN: 15203; Para: 1; Accountabilities: Direct: Sangay Lethro, Gup, CID # 12003000422; Supervisory: Sangay Lethro, Gup, CID # 12003000422.*

Status: *The observation was settled during the review meeting held with Hon'ble Auditor General and Dzongkhag Administration, Zhemgang & Gewog on 10th January, 2020 based on the justification submitted by the Gewog.*

III. NGANGLA

During the year, the RAA conducted one audit of the Gewog Administration, Ngangla under Zhemgang Dzongkhag. There were two observations amounting to Nu.0.006 million of which one observation amounting to Nu.0.006 million did not qualify for inclusion in the draft AAR 2018. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

The irregularity reported to the Parliament in June 2019 remained unsettled as on 30 Sept. 2020 as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	-
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

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

1.1. NON-CLEARANCE OF LANDSLIDES WITHIN THE DEFECT LIABILITY PERIOD

The Gewog Administration, Ngangla had failed to invoke the provision of the contract within the defect liability period and had not instructed the contractor to clear landslides and rectify the works in the construction of the Ngangla Trong to Dochaling farm road. The farm road was found blocked at every stretch of road due to landslides. *AIN: 15204; Para: 2; Accountabilities: Direct: Binod Kumar Tamang, Engineer, EID # 200407010; Supervisory: Rinchen Wangdi, Gup, CID # 12005002997.*

Status: *Observation not settled. Reminder letter issued vide letter No.RAA/Bt/fus-01/2019/796 dated 19/08/2019.*

IV. SHINGKCHAR

During the year, the RAA conducted one audit of the Gewog Administration, Shingkhari under Zhemgang Dzongkhag. There was one observation amounting to Nu.1.286 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.1.286 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.286 million as summarised below.

Out of the total unresolved irregularities of Nu.1.286 million reported to the Parliament in June 2019, the irregularity had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Gewog Administration. The details are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	1.286	1.286	-	100
	Total	1.286	1.286	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

The case of non-compliance to laws and rules involving Nu.1.286 million is as indicated below:

1.1. PAYMENT WITHOUT VERIFYING HSD FUEL BILLS - NU.1.286 MILLION

The Gewog Administration, Shingkhar had made payments amounting to Nu.1.286 million for HSD fuel used for machinery hired from CMU for the construction of farm roads without verifying the bills by the community leaders or competent authority. *AIN: 15207; Para: 1; Accountabilities: Direct: Nidup, Gup, CID # 12007001953; Supervisory: Nidup, Gup, CID # 12007001953.*

Status: *The observation was settled vide letter No.SG/Audit/24/2019/614 dated 06/09/2019 based on the justification provided to the RAA by the Gewog Administration.*

1.3.4 AUTONOMOUS AGENCIES

1.3.4.1 BHUTAN COUNCIL FOR SCHOOL EXAMINATIONS AND ASSESSMENT

During the year, the RAA conducted one audit of Bhutan Council for School Examinations and Assessment. There were five observations amounting to Nu.0.866 million of which one observation amounting to Nu.0.433 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.433 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Council, two observations amounting to Nu.0.120 million was resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.313 million as summarised below.

Out of the total unresolved irregularities of Nu.0.313 million reported to the Parliament in June 2019, Nu.0.050 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Council. The unresolved significant irregularities amounting to Nu.0.263 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	0.313	0.050	0.263	15.97
2	Non-compliance to Laws and Rules	-	-	-	100
	Total	0.313	0.050	0.263	

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Mismanagement - Nu.0.263 million

There was a case of mismanagement amounting to Nu.0.313 million as indicated below:

1.1 EXCESS/INADMISSIBLE PAYMENT OF TA/DA FOR TRAVEL IN-COUNTRY - NU.0.313 MILLION

The Bhutan Council for School Examinations and Assessment (BCSEA) had made excess/inadmissible payments amounting to Nu.0.739 million on account of TA/DA to employees as

under:

- Amount of Nu.0.442 million pertained to inadmissible TA/DA paid for travel to/from venue before/after workshops/programs organised by BCSEA but the officials had not actually halted at the station as claimed;
- As per agreement drawn between Bhutan Post and the BCSEA the responsibility to collect and drop papers/questionnaires was entrusted to Bhutan Post. However, inadmissible TA/DA amounting to Nu.0.032 million was paid to school Principals for collecting and dropping of Questionnaires and Answer Sheets to Bhutan Post offices;
- Nu.0.019 million pertained to excess payments to officials on account of ex-country travels. Full DSA was claimed from Thimphu to Paro and from Paro to disembarking country on same date. Half DSA for return travels from Paro to place of residence were claimed and paid at third country DSA rates; and
- Nu.0.246 million pertained to full DSA paid to officials for return journey for travel durations that were less than twelve hours.

The claims and payment did not adhere to travel rules and regulations indicating lack of proper financial controls and administrative weakness. As of 31 March 2019, the balance amount recoverable was Nu.0.313 million. *AIN: 15333; Para: 1; Accountabilities: Direct: Kinley Namgay, Accounts Assistant, EID # 201007233; Supervisory: Dorji Wangchuk, Acting HR/Admin. Officer, EID # 200501364.*

Status: *Observation partially settled. Out of the total amount of Nu.0.313 million; Nu.0.050 million had been settled leaving a balance of Nu.0.263 million as of 30 Sept. 2020.*

2. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules as indicated below:

1.1 EX-COUNTRY TRAVELS WITHOUT OBTAINING AUDIT CLEARANCE CERTIFICATE

The BCSR requires the HR Division/Section to issue Letter of Award upon receipt of original copies of Security and Audit Clearance Certificates. However, some officials of BCSEA had availed short-term training without obtaining audit clearance certificates. *AIN: 15333; Para: 5; Accountabilities: Direct: Tenzin Dorji, Secretary, EID # 9208100; Sangay Tenzin, Controller, EID # 8404009; Tshering Tenzin, Ex. Specialist, EID # 8404013; Sangay Tenzin, CPO, EID # 9607090; Sharda Rai, Subject Coordinator, EID # 2010017; Renuka Chhetri, Subject Coordinator, EID # 200401137; Supervisory: Dorji Wangchuk, Acting HR/Admin. Officer, EID # 200501364.*

Status: *The observation was settled vide letter No.BCSEA(09)HR-HRC-Meeting/2018-2019/1575 dt.13.5.2019 with the issuance of reprimand letter to individuals.*

1.3.4.2 BHUTAN EDUCATION CITY PROJECT

During the year, the RAA conducted one audit of Bhutan Education City Project. There were three observations amounting to Nu.9.592 million of which two observations were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.9.592 million. Based on the responses received after the issue of the draft AAR 2018 and actions taken by the project, one observation amounting to Nu.9.000 million were resolved. The unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.592 million as summarised below.

Out of the total unresolved irregularities of Nu.0.592 million reported to the Parliament in June 2019, the irregularity had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Project. The details

of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.592	0.592	-	100
	Total	0.592	0.592	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

There was a case of shortfalls, lapses and deficiencies amounting to Nu.0.592 million as indicated below:

1.1 HUGE FUND BALANCE RETAINED IN CD ACCOUNT - NU.0.592 MILLION

The Bhutan Education City Project had retained huge fund balance of Nu.9.592 million in its CD account to meet various current expenditure. As of 30 June 2017, the project had incurred total expenditure of Nu.0.518 million (0.38%) against the total budget of Nu.137.755 million with resultant lapsed fund of Nu.137.237 million (99.62% of the total budget). Out of the total lapsed fund, the project had retained Nu.9.592 million in its CD account without conducting proper need analysis. As of 31 March 2019, the project had refunded Nu.9.000 million to DPA leaving balance of Nu.0.592 million. *AIN: 15056; Para: 1; Accountabilities: Direct: Tshering Wangdi, Chief Engineer, EID # 20160306912; Supervisory: Former Lyonpo Dorji Choden, Minister, EID # 8504099.*

Status: *The observation was settled as the balance fund of Nu.9.000 million was refunded to DPA vide letter No.MoWHS/DS/FIN-03/961 dt.02.10.2018 and Nu.0.396 million and Nu.0.196 million were dropped vide letter No. MoWHS/DS/FIN-03/2880 dt.14.4.2019 and MoWHS/DS/Audit/2020-2021/358 dt. 25/9.2020 respectively.*

1.3.4.3 CENTRE FOR BHUTAN STUDIES & GROSS NATIONAL HAPPINESS

During the year, the RAA conducted one audit of Centre for Bhutan Studies & Gross National Happiness. There were one observation amounting to Nu.1.904 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.1.904 million. The unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.1.904 million as summarised below.

Out of the total unresolved irregularities of Nu.1.904 million reported to the Parliament in June 2019, all the amount had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Centre for Bhutan Studies & Gross National Happiness. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	1.904	1.904	-	100
	Total	1.904	1.904	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules amounting to Nu.1.904 million as indicated below:

1.1 IRREGULAR BOOKING OF EXPENDITURE IN CLOSED WORKS ACCOUNT - NU.1.904 MILLION

The Centre for Bhutan Studies & Gross National Happiness had retained unspent yearend fund balance of Nu.1.904 million under Closed Works Account. The amount was booked in the Refundable Deposit Account on 31 May 2018 without any equivalent liabilities in the subsequent financial years, which was in violation to the existing financial norms. It also indicated the lack of knowledge or awareness on the part of accounts personnel in booking the funds under Closed Works Account. *AIN: 15341; Para: 1; Accountabilities: Direct: Sonam Zangpo, Accountant, EID # 200907014; Supervisory: Dasho Karma Ura, President, EID # 8903117.*

Status: *The observation was settled as the amount was deposited vide receipt No. 03169 dt.15.9.2020.*

1.3.4.4 CIVIL SOCIETY ORGANIZATION AUTHORITY, THIMPHU

During the year, the RAA conducted one audit of Civil Society Organisation Authority, Thimphu. There was one observation amounting to Nu.0.044 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.044 million.

The unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.044 million as summarised below.

Out of the total unresolved irregularities of Nu.0.044 million reported to the Parliament in June 2019, the same remained unsettled as on 30 Sept. 2020. The unresolved significant irregularities is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.044	-	0.044	-
	Total	0.044	-	0.044	

The details of unsettled irregularities reported to the Parliament in June 2019, which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules – Nu.0.044 million

There was a case of non-compliance to laws and rules amounting to Nu.0.044 million as indicated below:

1.1 WRONG BOOKING OF EXPENDITURE - NU.0.044 MILLION

The Civil Society Organization Authority had made wrong booking of expenditure amounting to Nu.0.044 million incurred on wages to sweeper under 54.03: *Maintenance of Property - Building* instead of booking it under 1.02: *Other Personnel Emoluments*, which was in violation to the financial norms. *AIN: 15075; Para: 1; Accountabilities: Direct: Tshewang Tobgyel, Member Secretary,*

Status: Observation not settled.

1.3.4.5 JUDICIARY OF BHUTAN

During the year, the RAA conducted nine audits of the Judiciary of Bhutan. There were five observations amounting to Nu.0.024 million of which three observations amounting to Nu.0.024 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Royal Courts of Justice, one observation was resolved. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

The unresolved irregularity reported to the Parliament in June 2019 had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Judiciary. The detail of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	-	-	-	100
Total		-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019, which had been settled on 30 Sept. 2020 is as discussed below:

200 Shortfalls, Lapses and Deficiencies

There was a case of shortfalls, lapses and deficiencies as indicated below:

1.1 NON-RECONCILIATION OF BALANCE/ACCOUNTS

The Royal Court of Justice, District Court, Wangduephodrang maintains Saving Bank Account in BOBL to facilitate collections, deposits and payment (refund) of security deposits/bail fees and other miscellaneous charges, in respect of which the RAA observed following lapses:

- Against the total collection of Nu.2.865 million during the period 01/01/2015 to 31/12/2017, disbursement of Nu.2.439 million was made leaving balance of Nu.0.426 million. However, the bank account showed balance of Nu.0.420 million only with resultant unreconciled difference of Nu.0.006 million. The lapse had occurred due to lack of periodic reconciliation and non-preparation of bank reconciliation statements to ascertain the correctness of balance in the cashbook and bank statement;
- Further, there were instances of payments aggregating to Nu.0.174 million made without details of cash collections/deposit by the clients, in absence of which the RAA could not ascertain the genuineness of the payment; and
- Cash-in-hand amounting to Nu.0.134 million handed-over to the present accountant by the former Accountant on various occasions after present accountant took over the charges (w.e.f. 01/03/2015) did not have any records of money receipts in support of the handing-taking. It was neither accounted in cashbook nor was money receipts issued for the same. *AIN: 15610; Para: 1; Accountabilities: Direct: CheyChey, Accounts Assistant - V, EID # 20141104869; Supervisory: Dasho Gembo Dorji, Drangpoen, EID # 9511021.*

Status: The observation was settled vide letter No.RAA/OAAG/FUS-01/2019-2020/110 of 20.08.2019.

1.3.4.6 KHESAR GYALPO UNIVERSITY OF MEDICAL SCIENCE OF BHUTAN

During the year, the RAA conducted one audit of Khesar Gyalpo University of Medical Science, Thimphu. There were 10 observations amounting to Nu.0.945 million of which five observations amounting to Nu.0.752 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.193 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the University, one observation was resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.193 million as summarised below:

Out of the total unresolved irregularities of Nu.0.193 million reported to the Parliament in June 2019 none of the irregularities were settled as on 30 Sept. 2020. The unresolved significant irregularities as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.193	-	0.193	-
	Total	0.193	-	0.193	

The details of unsettled irregularities reported to the Parliament in June 2019, which remained unsettled as on 30 Sept. 2020 are as discussed below:

1. Shortfalls, Lapses and Deficiencies – Nu.0.193 million

There were cases of shortfalls, lapses and deficiencies amounting to Nu.0.193 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. In Million
1.1	Non-adjustment of PW advances	0.081	-	0.081
1.2	Un-reconciled fund balance	0.041	-	0.041
1.3	Non-production of disbursement vouchers	0.071	-	0.071
1.4	Non-registration of the land in the name of KGUMSB	-	-	-
	Total	0.193	-	0.193

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

1.1 NON-ADJUSTMENT OF PW ADVANCES -NU.0.081 MILLION

The Khesar Gyalpo University of Medical Sciences of Bhutan (KGUMSB), Thimphu had overdue advances amounting to Nu.0.081 million lying unadjusted as on the date of audit. The amount of Nu.0.068 million was given as research grant advance to an official and balance amount of Nu.0.013 million pertained to double deposit of TDS with RRCO. *AIN: 15412; Para: 3.1; Accountabilities: Direct: Karma Choden, Lecturer, FNPH, EID # 20140900037; Supervisory: Dr. Nyezang Wangmo, Director, EID # 8602079.*

Status: *Observation not settled.*

1.2 UN-RECONCILED FUND BALANCE OF NU.0.041 MILLION

The financial statements of the KGUMSB had total un-reconciled fund balance of Nu.0.041 million for two financial years (FY). Nu.0.037 million pertained to the FY ended 30 June 2014 and Nu.0.004 to the FY 30 June 2015. The lapse had apparently occurred due to non-reconciliation of fund on monthly basis as required by FRR. *AIN: 15412; Para: 3.2; Accountabilities: Direct: Wangchuk Dorji, Accounts Assistant, EID # 20140800033; Supervisory: Wangchuk Dorji, Accounts Assistant, EID # 20140800033.*

Status: *Observation not settled.*

1.3 NON-PRODUCTION OF DISBURSEMENT VOUCHERS FOR NU.0.071 MILLION

The KGUMSB had not produced disbursement vouchers for the expenditure worth Nu.0.071 million for verification due to which the RAA could not ascertain the genuineness and the correctness of the payments made and recorded in the books of accounts. *AIN: 15412; Para: 3.5; Accountabilities: Direct: Sonam Tenzin, Accounts Assistant, EID # 20130500015; Supervisory: Wangchuk Dorji, Accounts Assistant, EID # 20140800033.*

Status: *Observation not settled.*

1.4 NON-REGISTRATION OF LAND IN THE NAME OF KGUMSB

The University of Medical Sciences of Bhutan was established on 2 May 2013 by the University of Medical Sciences Act of Bhutan 2012 and officially launched as the Khesar Gyalpo University of Medical Sciences of Bhutan (KGUMSB) on 28 Feb, 2015. Although the KGUMSB is functioning within the premises of JDWNRH, no proper demarcation of land have been defined. The Director, KGUMSB had requested the management to arrange for the arbitrary demarcation process with the Head of Maintenance Unit, JDWNRH. However, the management of KGUMSB had not followed-up with the JDWNRH for the demarcation process even after lapse of over four years after its initial discussion in 2014, which has deprived KGUMSB of the legal ownership of the land it is occupying presently. *AIN: 15412; Para: 4; Accountabilities: Direct: Karma Dhendup, Chief Architect, EID # 20130500004; Supervisory: Dr. Sithar Dorjee, Director, EID # 20171100082.*

Status: *Observation not settled.*

1.3.4.7 NATIONAL ENVIRONMENT COMMISSION

During the year, the RAA conducted one audit of National Environment Commission. There was one observation which was not resolved prior to the compilation of the draft AAR 2018. The unresolved significant irregularity was reported in the AAR 2018.

The unresolved irregularity reported to the Parliament in June 2019 had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Commission. The detail of the observation is summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	-	-	-	100
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

There was a case of shortfalls, lapses and deficiencies as indicated below:

1.1 TRAINING AVAILED WITHOUT OBTAINING SECURITY AND AUDIT CLEARANCE CERTIFICATES

The BCSR requires the HR Division/Section to issue Letter of Award upon receipt of original copies of Security and Audit Clearance Certificates. However, five officials of National Environment Commission had availed short-term training during the FY 2017-2018 without obtaining security and audit clearance certificates except for two officials who had obtained Security Clearance. *AIN: 15517; Para: 1; Accountabilities: Direct: Tenzin Khorlo, Chief Environment Officer, EID # 2101051, Kunzang, Dy. Chief Legal Officer, EID # 200707333, Namgay Bidha, Legal Assistant IV, EID # 2002029, Kencho Wangmo, Accounts Assistant III, EID # 9107121, Rinzin Zangmo, Assistant Administrative Officer-I, EID # 20120301870; Supervisory: Kesang Jamtsho, HRO, EID # 2005020082, Rinzin Zangmo, Asstt. Adm Officer-I, EID # 20120301870.*

Status: *The observation was settled vide Follow-up letter No. RAA/FUCD(W32-NEC)2019/2079 dt. 19.8.2019.*

1.3.4.8 PHUENTSHOLING THROMDE

During the year, the RAA conducted two audits of Phuentsholing Thromde. There were 36 observations amounting to Nu.8.141 million of which 12 observations amounting to Nu.0.159 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.7.982 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Thromde Administration, observations amounting to Nu.0.047 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.7.935 million as summarised below.

Out of the total unresolved irregularities of Nu.7.935 million reported to the Parliament in June 2019, Nu.1.199 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Thromde. The unresolved significant irregularities amounting to Nu.6.736 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	2.661	-	2.661	-
2	Non-compliance to Laws and Rules	1.477	-	1.477	-
3	Shortfalls, Lapses and Deficiencies	3.797	1.199	2.598	31.58
	Total	7.935	1.199	6.736	15.11

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Mismanagement – Nu.2.661 million

There were cases of mismanagement amounting to Nu.2.661 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu.in million	Settled Nu. in Million	Balance Nu. In Million
1.1	Short deposit of revenue	0.159	-	0.159
1.2	Penalty for delay in deposit of cheque into CD Account	0.470	-	0.470
1.3	Short-accountal of Revenue Deposits	1.992	-	1.992
1.4	Non-remittance of statutory deductions	0.040	-	0.040
1.5	Portion of building falling in private land	-	-	Unsettled
	Total	2.661	-	2.661

The cases of mismanagement are as indicated below:

1.1 SHORT-DEPOSIT OF REVENUE - NU.0.159 MILLION

The Phuentsholing Thromde Administration (PTA) had not deposited revenue collection of Nu.0.159 million into their CD Account. Against the total revenue collection of Nu.75.746 million (as per the deposit slips), the Thromde had made total deposit of Nu.75.587 million into the CD Account (as per the bank statement) resulting in short-deposit of Nu.0.159 million. The lapse had occurred apparently due to failure of the dealing officials to reconcile the collections and deposits of revenue on a monthly basis, and also due to failure on the part of the supervising officer to exercise necessary checks. *AIN: 15523; Para: 2; Accountabilities: Direct: Krishna Chettri, Accounts Assistant, EID # 9709054; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

Status: *Observation not settled.*

1.2 PENALTY FOR DELAY IN DEPOSIT OF CHEQUE INTO CD ACCOUNT - NU.0.470 MILLION

The PTA had not deposited a cheque amounting to Nu.1.679 million received on account of parking fees from M/s Norzang Builders, Phuentsholing into CD Account. It was deposited only on 28/05/2018 after substantial delay of 14 months, upon pointing it out by the RAA. The delay in deposit had occurred apparently due to absence of periodic reconciliation of the collections and deposits of revenue, and due to laxity of the supervising officer to institute necessary checks. As of 31 March 2019, the penalty of Nu.0.470 million (i.e. $24\% \times 1,679,490.00 \times 14/12$) for delayed deposit was not recovered. *AIN: 15523; Para: 3; Accountabilities: Direct: Krishna Chettri, Accounts Assistant, EID # 9709054; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

Status: Observation not settled.

1.3 SHORT-ACCOUNTAL OF REVENUE DEPOSITS - NU.1.993 MILLION

The PTA had short-accountal of revenue deposits amounting to Nu.1.993 million in its financial statements. The total amount credited as per bank statement was Nu.85.370 million against which only Nu.83.377 was recorded, resulting in short-accountal of Nu.1.993 million in the books of account maintained by the Thromde. The lapse had occurred apparently due to non-reconciliation of the revenue collections and deposits made by the dealing official and due to failure on the part of the supervising officer to exercise necessary checks to ensure that amount recorded are correct and validated. *AIN: 15523; Para: 5; Accountabilities: Direct: Kinzang Nidup, Accounts Asst., EID # 2107101; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

Status: Observation not settled.

1.4 NON-REMITTANCE OF STATUTORY DEDUCTIONS - 0.040 MILLION

During the FYs 2016-17 and 2017-18, the PTA had not remitted to the RRCO, the salary tax and other statutory deductions of Nu.0.040 million made from the staffs employed under NAPA project which was in contravention to the requirement¹⁴ under the Revenue Accounting Manual. Further, the payment for the month of August 2017 remitted in cash was not supported with relevant documents such as disbursement voucher and receipts, in absence of which the RAA could not ascertain its authenticity. The lapses had occurred due to failure of the dealing accounts personnel to remit the deduction to RRCO, Phuentsholing coupled with the failure on the part of the supervising officer to exercise due diligence. *AIN: 15523; Para: 10; Accountabilities: Direct: Krishna Chettri, Accounts Assistant, EID # 9709054; Supervisory: R.B. Ghalley, Accounts Officer, EID# 8801083.*

Status: Observation not settled.

¹⁴ "All withholding agencies which are not allotted with a RGR Account, shall deposit their withheld/collected government revenue to the respective RRCO within 10th of the following month as per Rules on Income Tax Act 2001, failing which will attract a late fine @ 24% per annum or fraction thereof of the amount from the dealing person" - Clause 2.4.8, Chapter 2, Revenue Accounting Manual.

1.5 PORTION OF BUILDING FALLING IN PRIVATE LAND

The PTA's Community Centre at Pasakha constructed by M/s Mahayana Construction, Thimphu at the total cost of Nu.5.225 million had occupied a small portion of private land. It needed prompt management action to regularize the private land after compensating the owner as per the prevailing norms of the Government to avoid future complications. *AIN: 15523; Para: 25.5; Accountabilities: Direct: Ugyen, JE, EID # 20140103243; Supervisory: Ugyen, JE, EID # 20140103243.*

Status: Observation not settled.

2. Non-compliance to Laws and Rules - Nu.1.477 million

There were cases of non-compliance to laws and rules amounting to Nu.1.477 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
2.1.1	Wrong selection of site	-	-	Unsettled
2.1.2	Non-issuance of variation order	-	-	Settled
2.1.3	Excess payment due to non-regulation of deviation limit over 20%	1.206	-	1.206
2.1.4	Non-levy of liquidated damages	0.271	-	0.271
2.1.5	Defective roofing works	-	-	Unsettled
2.2	Defective works noted during the physical verification	-	-	Settled
	Total	1.477	-	1.477

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

2.1 CONSTRUCTION OF COMMUNITY CENTRE AT PASAKHA AND IRREGULARITIES THEREOF

The PTA had several irregularities in construction of Community Centre at Pasakha by M/s Mahayana Construction, Thimphu at the total cost of Nu.5.225 million with overall deviation of 92.89% above the initial bid amount of Nu.2.709 million. The irregularities in the construction are explained below:

2.1.1 WRONG SELECTION OF SITE

The initial construction site near Pasakha river bank selected by the PTA, which was under the restricted buffer zone, was not proper. The re-orientation of the structure and adjustment of plot was made within the vicinity of the earlier location, which was close to the river bank posing unwarranted threats to the building due to monsoon rain and frequent change in river course. The improper selection of site had led to extra expenditure of Nu.1.577 million for filling of trenches. The lapse had occurred due to failure of Thromde Administration to exercise due diligence in selecting the construction site. *AIN: 15523; Para: 25.1; Accountabilities: Direct: Ugyen, JE, EID # 20140103243; Supervisory: Ugyen, JE, EID # 20140103243.*

Status: *Observation not settled.*

2.1.2 NON-ISSUANCE OF VARIATION ORDER

The PRR 2009, Clause 6.3.6.1 states that “Proper conditions for variations in the contract shall be made in case there are strong possibilities that such variations would occur during the period of execution of a contract.” However, the PTA had not issued any variation order even though the site was changed and re-oriented with cost escalation of 759.95% especially on filling of trenches. Further, there was no revised drawing and estimate prepared for the change of initial plans. *AIN: 15523; Para: 25.2; Accountabilities: Direct: Chophel, JE, EID # 200811026, Buddhi Man Darji, JE, EID # 200807191; Supervisory: Lobzang, EE, EID # 8403052.*

Status: *The observation was settled vide follow up report No.RAA/OAAG-Pling/MoWHS/Thromde-21/2019/211 dated.16/04/2019.*

2.1.3 EXCESS PAYMENT DUE TO NON-REGULATION OF DEVIATION LIMIT OVER 20% - NU.1.206 MILLION

The PTA had made an excess payment amounting to Nu.1.206 million due to non-regulation of rate for quantity deviation of over 20% in refilling foundation trenches. During the execution of works, the quantity of filling trenches had increased by 659.95% to 315.38 cbm from initial BoQ of 41.50 cbm. For the increased quantity, the contractor was paid at his quoted rate instead of regulating

the cost with suitable rate¹⁵ as required by Clause 6.3.6.1(b) and (c)¹⁶ of PRR 2009, thus resulting in excess payment of Nu.1.206 million. *AIN: 15523; Para: 25.3; Accountabilities: Direct: Chophel, JE, EID # 200811026, Buddhi Man Darji, JE, EID # 200807191; Supervisory: Lobzang, EE, EID # 8403052.*

Status: *Observation not settled.*

2.1.4 NON-LEVY OF LIQUIDATED DAMAGES - NU.0.271 MILLION

The construction of Community Center at Pasakha due for completion on 25/02/2017 was completed only on 14/07/2017 with delay of five months, for which the PTA had not levied liquidated damages amounting to Nu.0.271 million. *AIN: 15523; Para: 25.4; Accountabilities: Direct: Chophel, JE, EID # 200811026, Buddhi Man Darji, JE, EID # 200807191; Supervisory: Lobzang, EE, EID # 8403052.*

Status: *Observation not settled.*

2.1.5 DEFECTIVE ROOFING WORKS

Some portion of ceiling of the Community Centre was damaged with seepage of rainwater during heavy rainfall indicating poor workmanship of the contractor. The lapse had occurred due to contractor's failure to execute the work as per specifications and failure of site engineer to ensure the quality of work. *AIN: 15523; Para: 25.6; Accountabilities: Direct: Chophel, JE, EID # 200811026, Buddhi Man Darji, JE, EID # 200807191; Supervisory: Lobzang, EE, EID # 8403052.*

Status: *Observation not settled.*

2.2 DEFECTIVE WORKS NOTED DURING THE PHYSICAL VERIFICATION

The construction of multipurpose hall, basketball court, and academic toilet, and dismantling of old toilet at Phuentsholing MSS was awarded to M/s Neten Construction Company, Paro. The construction works had some defects requiring rectification barely after one year of its completion. Some parts of the ceiling works had fallen apart and the drain around the basketball court had developed cracks, which indicated poor workmanship on the part of the contractor and inadequate supervision and monitoring by the site engineer. *AIN: 15523; Para: 16.4; Accountabilities: Direct: Chencho, JE, EID # 201101253; Supervisory: Lobzang, EE, EID # 8403052.*

Status: *The observation was settled vide follow up report No.RAA/OAAG-Pling/MoWHS/Thromde-21/2019/211 dated.16/04/2019.*

3. Shortfall, Lapses and Deficiencies – Nu.2.598 million

There were cases of shortfalls, lapses and deficiencies amounting to Nu.3.797 million as summarised below:

¹⁵ Rate Analysis based on the standard set by MoWHS as per Labour and Material Co-efficient Standard;

¹⁶ "If the final quantity of the varied work falling under item 6.3.6.1 (a) exceeds by more than twenty percent (20%) from the quantity in the contract Bill of Quantities, and the value of this variation exceeds one percent (1%) of the Original Contract Price. The excess quantities executed over the limit of twenty percent (20%) only shall be valued at a suitable rate or price agreed upon between the Procuring Agency and the contractor." - Clause 6.3.6.1(b) & (c), PRR 2009.

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
3.1	Non-reconciliation of Revenue collected, deposited and reflected in the Bank Statement	-	-	Unsettled
3.2	Unidentified deposit in the bank statement	0.480	-	0.480
3.3	Non-maintenance of Other Voucher along with the amount booked	0.000	-	0.000
3.4	Non-adjustment of personal advances on time	0.303	-	0.303
3.5	Non-adjustment of PW Advances on time	0.279	-	0.279
3.6	Non-reconciliation of Monthly Accounts and irregularities thereof	0.401	-	0.401
3.7	Unexplained cumulative credit balance under the object code 87.22-Other Recoveries	1.100	-	1.100
3.8.1	Excess payment due to improper verification of TMT items provided	0.362	0.362	-
3.8.2	Short-payment due to non-consideration of the rebate given by contractor	0.760	0.760	-
3.9	Erroneous deduction of liquidated damages had resulted in short payment	0.077	0.077	-
3.10	Requirement of permanent structure to prevent foundation scouring of the constructed wall	-	-	Settled
3.11	Non-adjustment of outstanding PW advances	0.035	0.005	0.030
	Total	3.797	1.199	2.598

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

3.1 NON-RECONCILIATION OF REVENUE COLLECTED, DEPOSITED AND REFLECTED IN THE BANK STATEMENT

The PTA had not carried out monthly reconciliation of revenue collection and deposit into the bank as per the norms¹⁷. Further, the dealing official of the revenue collection section had not communicated the details of monthly collection to the dealing accountant of the CD Account who had considered the credit balance in the bank statement as the total receipts in the Budget and Accounts System (BAS) without verifying its correctness. The lapses had occurred mainly due to absence of regular reconciliation of the revenue collections and deposits besides failure on the part of the supervising officer to ensure proper check and balance in the revenue management. *AIN: 15523; Para: 1; Accountabilities: Direct: Krishna Chettri, Accounts Assistant, EID # 9709054; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

Status: *Observation not settled.*

3.2 UNIDENTIFIED DEPOSIT IN THE BANK STATEMENT - NU.0.480 MILLION

The PTA had deposit of Nu.0.480 million on account of 23 deposits in its CD Account the sources of which could not be verified by the RAA. The deposits were neither supported by deposit slips nor identified as 'other direct deposits'. Further, the money receipts issued by the Thromde for the amounts reflected in the bank statements were not made available to the RAA. The lapse had occurred apparently due to failure of the dealing officials to reconcile the amount credited in the bank statement with that of monthly accounts, besides failure on the part of the supervising officer to exercise necessary checks and ensure that monthly figures are duly reconciled and validated. *AIN: 15523;*

Para: 4; Accountabilities: Direct: Krishna Chettri, Accounts Assistant, EID # 9709054, Kinzang Nidup, Accounts Asst., EID # 2107101; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.

Status: Observation not settled.

¹⁷ "Accounting units in all budgetary bodies shall reconcile each of the LC, PLC or any other bank accounts operated by the office on a monthly basis" - Section 1.6.17.2, FAM 2016.

3.3 NON-MAINTENANCE OF 'OTHER VOUCHERS' ALONG WITH SUPPORTING DOCUMENTS

Similar to disbursement vouchers maintained by the accounts section, it is also important to maintain the 'Other Vouchers' along with supporting documents of receipt of fund or revenue generated. However, the PTA had not maintained 'Other Vouchers' with details of cash receipts and bank deposits required as per the norms¹⁸. The lapse had occurred mainly due to failure of the accounts personnel to maintain the 'Other Vouchers' in chronological order besides failure on the part of the supervising officer to exercise necessary checks. *AIN: 15523; Para: 6; Accountabilities: Direct: Kinzang Nidup, Accounts Asst., EID # 2107101; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

Status: Observation not settled.

3.4 NON-ADJUSTMENT OF PERSONAL ADVANCES ON TIME - NU.0.303 MILLION

During the year FY 2017-18, the PTA had sanctioned personal advances aggregating to Nu.0.303 million to few officials despite having unsettled balance of earlier advances. The management had not adhered to Section 8.1.6(a) of the FAM 2016 which required that "a personal advance of any kind shall not be sanctioned or paid in case a previous personal advance remains unsettled."

The lapse had occurred due to lack of proper follow-up action by the concerned dealing official and non-regulation of advances as required. *AIN: 15523; Para: 7; Accountabilities: Direct: Jamtsho Dukpa, EID # 9701044; Namgay Phuntsho, EID # 9501013; Gautam Thapa, EID # 9913138; Tshewang Tandin, EID # 200905042; Pema Namgay, EID # 200208083; Ugyen Choden, EID # 200301058; Sonam Choden, EID # 9901167; Sonam Jamtsho, EID # 200603004; Pema Lhendup, EID # 201101251; Loha Bir Gurung, EID # 201109030; Yeshe Wangchuk, EID # 20121102017; Krishna Chhetri, EID # 9709054; Yeshe Dema, EID # 20101100958; Supervisory: Kinzang Nidup, Accounts Assistant, EID # 2107101.*

Status: Observation not settled.

3.5 NON-ADJUSTMENT OF PW ADVANCES ON TIME - NU.0.279 MILLION

Section 5.4.2(d) of the FAM 2016 states that, "On the close of a fiscal year, a complete liquidation of all temporary advances in the hands of the individual TAHs shall be made". However, the PTA had not settled outstanding advances of Nu.0.279 million as on date of audit some of which pertained to FY 2016-2017. *AIN: 15523; Para: 8; Accountabilities: Direct: Jamtsho Dukpa, EID# 9701044; Chenchu, EID# 201101253; Namgay Phuntsho, EID# 9501013; Gautam Thapa, EID# 9913138; Sonam Tenzin, EID# 200303001; Karma Thinley, EID# 9307042; Krishna Chhetri, EID# 9709054; Supervisory: Kinzang Nidup, Accounts Assistant, EID # 2107101.*

Status: Observation not settled.

3.6 NON-RECONCILIATION OF MONTHLY ACCOUNTS AND IRREGULARITIES THEREOF – NU.0.401 MILLION

In contravention to the norms under Chapter 10 of FAM 2016, the monthly accounts of PTA were not closed on a monthly basis. The hard copies of statements and schedules that could be generated from the accounting system (BAS, version 3.0.11) were not printed and maintained. Further, the BRS prepared by the accounts personnel were not supported with documents to substantiate its genuineness, and the BRS from November 2016 to June 2017 were not reconciled. Similarly, the monthly reconciliation statements were not reconciled and updated by the dealing official.

18 "All cash and release receipts are recorded through preparation of Other Vouchers. While the release vouchers are auto generated by the system by debiting bank and crediting the appropriate BH and OBC for releases, the cash receipt vouchers will have to be prepared by the accounting unit by selecting voucher type as "Others" and debiting Cash and Crediting relevant BH and OBC." - Section 5.9.3(a), FAM 2016.

In the absence of monthly reconciliation statement duly validated by the supervising official, the RAA could not authenticate correctness and completeness of the monthly accounts. The lapses had consequently given rise to several misstatements aggregating to Nu.0.401 million in the financial statements. *AIN: 15523; Para: 9.1; Accountabilities: Direct: Kinzang Nidup, Accounts Asst., EID # 2107101; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

Status: *Observation not settled.*

3.7 UNEXPLAINED CUMULATIVE CREDIT BALANCE UNDER THE OBJECT CODE 87.22-OTHER RECOVERIES - NU.1.100 MILLION

The account object code '87.22 - Other Recoveries' in BAS is a ledger for recovery and remittances which generally should be a zero balance ledger at the end of the financial year. However, the ledger had cumulative credit balance of Nu.0.203 million as on 30/06/2017. The dealing accounts personnel had not furnished the supporting documents due to which the RAA could not validate the account balance. Further, the receipt of cheque for Nu.1.100 million from NPPF was recorded twice in the accounting system which had resulted in overstatement of Financial Statements to that extent. *AIN: 15523; Para: 9.2; Accountabilities: Direct: Kinzang Nidup, Accounts Asst., EID # 2107101; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

Status: *Observation not settled.*

3.8 IRREGULARITIES NOTED IN THE CONSTRUCTION OF MULTIPURPOSE HALL

The PTA had some irregularities in the construction of multipurpose hall, basketball court, and academic toilet, and dismantling of old toilet at Phuentsholing MSS that was awarded to M/s Neten Construction Company, Paro. There was excess payment of Nu.0.362 million made to the contractor, short-payment of Nu.0.760 million due to erroneous calculation of final payment, and there was also some defective works in the construction, as explained below:

3.8.1 EXCESS PAYMENT DUE TO IMPROPER VERIFICATION OF TMT ITEMS PROVIDED - NU.0.362 MILLION

The PTA had made an excess payment of Nu.0.362 million to the contractor for 5,487.37 kgs of TMT steel works provided in the construction. The payment for the TMT bars which was already made under the item - 'Steel work welded' was found included again in the payment of Nu.0.798 million for 12,102.13 kgs of TMT bars, resulting in the excess payment of Nu.0.362 million.

Status: The obseravtion was settled based on the letter No.RAA/OAAG-Pling/MOWHS-Thromde-D21/2019/346 dated 14/10/2019 and PT/Acctts-14/2019-2020/2898 dated 08/11/2019.

3.8.2 SHORT-PAYMENT DUE TO NON-CONSIDERATION OF REBATE GIVEN BY CONTRACTOR - NU.0.760 MILLION

There was a short-payment amounting to Nu.0.760 million due to omission of 14% rebate in calculation of final payment to the contractor. Against the entitled amount of Nu.16.171 million, the contractor was paid Nu.15.411 million without considering 14% rebate given by the contractor in the 3rd RA bill, thus resulting in short-payment of Nu.0.760 million.

The lapses had occurred apparently due to improper verification of contractors' bills with reference to the actual quantity of works executed at site by the site engineers, and also due to the failure on the part of the supervising engineer to exercise necessary checks to ensure the admissibility of contractor's claims. *AIN: 15523; Para: 16.1 & 16.2; Accountabilities: Direct: Chencho, JE, EID # 201101253; Supervisory: Lobzang, EE, EID # 8403052.*

Status: The observation was settled based on the letter No.RAA/OAAG-Pling/MOWHS-Thromde-D21/2019/346 dated 14/10/2019 and PT/Acctts-14/2019-2020/2898 dated 08/11/2019.

3.9 ERRONEOUS DEDUCTION OF LD RESULTING IN SHORT-PAYMENT - NU.0.077 MILLION

The PTA had short-payment aggregating to Nu.0.077 million in respect of supply of textbooks. The Thromde had erroneously deducted LD from M/s DSB Enterprise for 102 days against the actual delay of 16 days resulting to excess recovery of LD.

The lapses had occurred apparently due to negligence of the verifying official and failure on the part of the supervising officer to exercise due diligence. *AIN: 15523; Para: 20; Accountabilities: Direct: Sangay Wangdi, Accounts Asst. EID # 201007187; Supervisory: R.B Ghalley, Accounts Officer, EID # 8801083.*

Status: The observation was settled vide letter No.PT/Acctts-14/2019-2020/00124 dated 20/11/2019.

3.10 REQUIREMENT OF PERMANENT STRUCTURE TO PREVENT FOUNDATION SCOURING OF THE CONSTRUCTED WALL

The access road at Rinchending constructed at the cost Nu.19.087 million, included the construction of retaining wall measuring 91.14 cum and 55.90 cum, and fixing of hume pipe through the wall to drain out the storm water. The foundation of retaining wall was found scoured by heavy rainfall, for which a permanent structure was required to avoid further damage to the wall. The lapse had occurred due to inadequate assessment of risk due to storm drain water at the time of survey and design. *AIN: 15523; Para: 24; Accountabilities: Direct: Pema Chopel, JE, EID # 201101252, Karma Thinley, Engineer, EID # 9307042; Supervisory: Lobzang, Executive Engineer, EID # 8403052.*

Status: The observation was settled vide follow up report No.RAA/OAAG-Pling/MoWHS/Thromde-d21/2019/211 dated 16/04/2019

3.11 NON-ADJUSTMENT OF OUTSTANDING PW ADVANCES - NU.0.035 MILLION

The PTA had PW Advances amounting to Nu.0.035 million lying unsettled as on date of audit. The overdue advances were left unadjusted by the accounts section despite the officials concerned submitting relevant bills to settle their dues. *AIN: 15523; Para: 26; Accountabilities: Direct: Karma Thinley, Engineer, EID # 9307042, Namgay Phuntsho, Water In-charge, EID # 9501013; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

Status: Observation partially settled as an amount of Nu.0.005 million was deposited vide receipt No.456953 dated.19/04/2019 leaving a balance of Nu.0.030 million.

1.3.4.9 ROYAL INSTITUTE OF MANAGEMENT

During the year, the RAA conducted three audits of Royal Institute of Management. There was one observation amounting to Nu.1.470 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.1.470 million.

The unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.1.470 million as summarised below.

Out of the total unresolved irregularities of Nu.1.470 million reported to the Parliament in June 2019, RIM had not settled the amount as on 30 Sept. 2020. The details of the unresolved significant irregularity is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	1.470	-	1.470	-
	Total	1.470	-	1.470	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies – Nu.1.470 million

There was a case of shortfalls, lapses and deficiencies amounting to Nu.1.470 million as indicated below:

1.1 PAYMENT OF HEAD ALLOWANCES TO THE DEPARTMENT HEADS WITHOUT THE RECOMMENDATION OF THE PAY COMMISSION - NU.1.470 MILLION

The Royal Institute of Management had paid 'Head Allowance' of Nu.5,000.00 per month per person aggregating to Nu.1.470 million from 2014 till 2018 to its department heads. Such allowance although approved by the Board of Directors was not in line with Article 30 of the Constitution of the Kingdom of Bhutan which states that, "The Pay Commission shall recommend to the Government revisions in the structure of the salary, allowances, benefits and other emoluments of the Royal Civil Services, Judiciary, the members of Parliament and Local Governments, the holders and the members of constitutional offices and all other public servants with due regard to the economy of the Kingdom and other provisions of this Constitution". Therefore, the legitimacy of the payment of 'Head Allowance' to the department heads remained questionable. *AIN: 15524; Para: 1; Accountabilities: Direct: Karma Tshering, Director, EID # 8709033; Supervisory: Ngeema Singye Chenpo, Chairperson, RIM Board, CID # 11309001761, Indraman Chhetri, RCSC Commissioner, EID # 8901038, Tshewang Tandi, Director General, EID # 8404037, Tashi, Zimpon Wogma, EID # 9407083, Aum Chime Peden Wangdi, EID # 11410003243, Karma Tshering, Director, EID # 8709033.*

Status: Observation not settled.

1.3.4.10 ROYAL UNIVERSITY OF BHUTAN

During the year, the RAA conducted 13 audits of Royal University of Bhutan. There were 18 observations amounting to Nu.9.175 million of which six observations amounting to Nu.0.698 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.8.477 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Colleges and Institutes under the Royal University of Bhutan, nine observations amounting to Nu.8.334 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.143 million as summarised below.

Out of the total unresolved irregularities of Nu.0.143 million reported to the Parliament in June 2019, the RUB had settled all the irregularities as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Authority. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
2	Shortfalls, Lapses and Deficiencies	0.143	0.143	-	100
	Total	0.143	0.143	-	

The details of unsettled irregularities reported to the Parliament in June 2019, which had been settled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. In Million
1.1	Delay in the completion of ECE Lab and Lecture Theatre and liable for liquidated damages	-	-	Settled
1.2	Training availed without obtaining Security and Audit Clearance Certificates	-	-	Settled
	Total	-	-	-

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

1.1 DELAY IN THE COMPLETION OF ECE LAB AND LECTURE THEATRE AND LIABLE LIQUIDATED DAMAGES

The construction of Electrical and Computer Engineering (ECE) Lab & Lecture Theatre undertaken by M/s JD Private Limited, Thimphu at Jigme Namgyel Engineering College, Dewathang due for completion on 18/09/2017 was not completed as of date of audit (25/06/2018) even after delay of over nine months. The lapse had occurred apparently due to non-execution of work by the contractor despite serving reminders. The delay would attract liquidated damages 'at 0.05% of the awarded contract price per day up to a maximum of 10% of the final contract price' as per Section VI

of Special Condition of Contract. *AIN: 15474; Para: 1; Accountabilities: Direct: Mamta Kharka Chhetri, Site engineer, EID # RUB1502003; Supervisory: Dr. Andu Dukpa, President, EID # 9307011.*

Status: *The observation was settled vide letter No. JNEC/ACCT-09/2019-2020/1071 of 28/12/19 and Nu. 3,058,741.00 LD deposited vide receipt No. 469947 of 08/03/2019.*

1.2 TRAINING AVAILED WITHOUT OBTAINING SECURITY AND AUDIT CLEARANCE CERTIFICATES

The BCSR 2012 under Annexure 9/1-II (5) requires the HR Division/Section to issue Letter of Award upon receipt of original copies of Security and Audit Clearance Certificates. However, during three financial years 2015-16, 2016-17 and 2017-18, the Samtse College of Education, Royal University of Bhutan had approved the short-training of seven employees without obtaining Security and Audit Clearance Certificates. *AIN: 15636; Para: 2; Accountabilities: Direct: Tandin Tshering, Asst. Adm. Officer, EID # RUB1302018; Supervisory: Dorji Thinley, President, EID # 9610108.*

Status: *The observation was settled vide letter No. 47/SCE-Audit/2019-2020/970 dated 14 February 2020.*

2. Shortfalls, Lapses and Deficiencies

There was a case of shortfalls, lapses and deficiencies amounting to Nu.0.143 million as indicated below:

2.1 INADMISSIBLE PAYMENT OF TRAVEL ALLOWANCE DURING SEPARATION FROM SERVICE - NU.0.143 MILLION

The Samtse College of Education had paid its separated employees DA and mileage aggregating to Nu.0.155 million during the last three FYs 2015-16, 2016-17 and 2017-18, in addition to the travel allowance equal to one month's basic pay in contravention to Section 20.3.5 of BCSR 2012¹⁹. The lapse had occurred apparently due to failure of the responsible officials to ensure compliance to the provisions of BCSR. As of 31 March 2019, the college had recovered Nu.0.012 million, leaving a balance of Nu.0.143 million. *AIN: 15636; Para: 1; Accountabilities: Direct: Chenla Norbu, EID # 8108022; Jose K.C., EID # 8604009; Tashi Dema, EID # 200801197; Rinchen Dema, EID # 200812014; Somarajan K.S, EID # 9917506; Mon Kumar Raika, EID # 7902002; Sherab Dorji, EID # 8906140; Kesang Dorji, EID # 7803008; Sonam Tshering, EID # 2001059; Ngawang Namgyal, EID # 201001255; Chechey, EID # 200801258; Tandin Tshering, EID # 9917978; Supervisory: Dorji Thinley, President, EID # 9610108.*

¹⁹ A civil servant who leaves the service for any reason, other than termination, shall be entitled to Travel Allowance of an amount equal to one month's last basic pay of the civil servant.

Status: *The observation was settled vide letter No. RAA/OAAG-Pling/SCE-C5/2020/318 dated 23.6.2020 as per the decision of the 5th Follow up Committee Meeting held on 1.6.2020.*

1.3.4.11 SAMDRUPJONGKHAR THROMDE

During the year, the RAA conducted two audits of Samdrupjongkhar Thromde. There were seven observations amounting to Nu.1.767 million of which five observations amounting to Nu.1.675 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.092 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Thromde Administration, one observation amounting to Nu.0.092 million was resolved. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

The unresolved irregularity reported to the Parliament in June 2019 had not been settled as on 30 Sept. The detail of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	-	-	-	-
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

There was a case of shortfalls, lapses and deficiencies as indicated below:

1.1 NON-UPDATION OF EXCESS LAND IN MA-THRAM

The Samdrup Jongkhar Thromde Administration had recorded excess land aggregating to 10,229 square feet (sq.ft) in the new Lag-thrams (Land Ownership Certificates) of 11 land owners. The initial land area as per the old lag-thrams of the land owners aggregated to 38,065 sq.ft, whereas the revised land area recorded in their new lag-thrams worked out to 48,294 sq.ft, resulting in the recording of excess land by 10,299 sq.ft. The variations between the initially registered land area and the revised land holding were not updated in the Ma-thram as on the date of audit. *AN: 15293; Para: 6; Accountabilities: Direct: Namgay Wangdi, Asstt. Land record Officer, EID # 200803013; Supervisory: Minjur Dorji, Executive Secretary, EID # 9509038.*

Status: *Observation not settled.*

1.3.4.12 THIMPHU THROMDE

During the year, the RAA conducted two audits of Thimphu Thromde. There were 55 observations amounting to Nu.36.514 million of which 30 observations amounting to Nu.24.079 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.12.435 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Thromde Administration, observations amounting to Nu.0.073 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.12.362 million as summarised below.

Out of the total unresolved irregularities of Nu.12.362 million reported to the Parliament in June 2019, Nu.4.733 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Thromde. The unresolved significant irregularities amounting to Nu.7.629 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	1.202	-	1.202	-
2	Mismanagement	8.040	4.733	3.307	58.87
3	Non-compliance to Laws and Rules	2.933	-	2.933	-
4	Shortfalls, Lapses and Deficiencies	0.187	-	0.187	-
	Total	12.362	4.733	7.629	38.29

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Fraud, Corruption and Embezzlement - Nu.1.202 million

There were cases of fraud, corruption and embezzlement amounting to Nu.1.202 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. In Million
1.1	Illegal encroachment on state owned and private registered land by individual land owners	-	-	Unsettled
1.2	Non-accountal and short-accountal of scrutiny, amenity fees and service charges	1.202	-	1.202
	Total	1.202	-	1.202

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

1.1 ILLEGAL ENCROACHMENT ON STATE OWNED AND PRIVATE REGISTERED LAND BY INDIVIDUAL LAND OWNERS

As per Section 299(e) of Land Act of Bhutan 2007, "any person committing the act of encroachment on a state-owned and private registered land shall be guilty of an offence of petty misdemeanor and shall be liable to be sentenced in accordance with Bhutan Penal Code".

Out of 30 illegal encroachment within the Thimphu City, the Thimphu Thromde Administration (TTA) had taken appropriate actions against 24 cases pending appropriate actions against remaining six cases. The lapse had occurred due to lack of regular monitoring and reporting by the building inspectors and the Division for initiating timely action. *AIN: 15051; Para: 32; Accountabilities: Direct: Dorji Namgyel, EID # 201101156, Nima Gyelpo, EID # 201001111; Supervisory: Kinlay Dorjee, EID # 9907556.*

Status: *Observation not settled.*

1.2 NON-ACCOUNTAL AND SHORT-ACCOUNTAL OF SCRUTINY, AMENITY FEES AND SERVICE CHARGES - NU.1.202 MILLION

The TTA had non-accountal/short-accountal of scrutiny, amenity fees and services charges amounting to Nu.1.202 million. Out of 104 building applications approved, the Thromde had not accounted fees and charges amounting to Nu.1.115 million in respect of 39 approved applications and

deposit of the fees could not be traced in the Consolidated Revenue Collections Statements (CRCS) prepared by the Revenue Section. Further, the Thromde had six cases where the actual fees collected were lesser than the fees liable, which had resulted in short-accountal of fees by Nu.0.087 million. *AIN: 15051; Para: 3; Accountabilities: Direct: Gyeltshen, EID # 7703012; Supervisory: Hasta Bahadur Sangpang, EID # 8505063.*

Status: *Observation not settled. The case has been forwarded to ACC vide letter No. RAA/AG-SP/16/2020/114 dated 02 June 2020 for investigation.*

2. Mismanagement – Nu.3.307million

There were cases of mismanagement amounting to Nu.8.040 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. In Million
2.1	Periodic reconciliations of revenue collections and deposits not carried out	-	-	Unsettled
2.2	Improper documentation resulting to mismatch of revenue collections and	0.350	-	0.350
2.3	Non-collection of lease rent	0.719	0.719	-
2.4	Non-collection of recovery charges for operation and maintenance of PET bottle crushing plant and applicable penalty thereof	1.123	1.123	-
2.5	Non-accountal vis-a-vis deposit of revenue collected from 5% property transfer tax and other associated fees on land conveyance	2.749	2.704	0.045
2.6	Unauthorized lease of Government land and irregular waive-off of land lease rent and penalty	2.293	-	2.293
2.7	Short-levy and excess-levy of 5% property transfer tax on land conveyance Nu.0.198 million and Nu.0.032 million respectively	0.198	0.187	0.011
2.8	Fund diversion from approved RGoB to GoI Project	0.608	-	0.608
	Total	8.040	4.733	3.307

The cases of mismanagement are as indicated below:

2.1 PERIODIC RECONCILIATIONS OF REVENUE COLLECTIONS AND DEPOSITS NOT CARRIED OUT

Clause 3.2.1 (d) of the Revenue Accounting Manual (RAM) 2004 states that "A Periodic Bank Reconciliation shall be carried out as per prescribed Form No. 3.1.4 laid down in the Revenue Accounting Manual 2004 to ascertain the accuracy of total amount collected with that of deposits made into revenue account". The TTA had computed fines amounting to Nu.5.748 million as per the records of regularisation, which the RAA was not able to trace in the Collections and Deposits Statements maintained by the Thromde. Periodic reconciliations of revenue collections and deposits were also not carried out as required by the RAM 2004. *AIN: 15051; Para: 2; Accountabilities: Direct: Sangay Drakpa, EID # 2001110, Singay Choki, EID # 200301063, Pema Zangley, EID # 200604005, Kezang Jamtsho, EID # 20101100956, Tshering Pelzom, EID # 200307347, Tandin Wangdi, EID # 200301051, Tandin Wangmo, EID # 9901115, Jigme Loday, EID# 201101151, Palden Khandu, EID # 200401005; Supervisory: Kinlay Dorjee, EID # 9907556.*

Status: *Observation not settled.*

2.2 IMPROPER DOCUMENTATION RESULTING TO MISMATCH OF REVENUE COLLECTIONS AND DEPOSIT OF APPLICATIONS AND ACTIVITY FEES - NU.0.350 MILLION

The TTA was required to collect Nu.1,000.00 per activity besides the application fee of Nu.500.00 for the construction of commercial and residential buildings in urban areas as per Clause 6.10 of the Environmental Assessment Act 2000. The records of collections from construction activities was not properly validated with the sources of revenue in the CRCS during the period July 2015 to December 2016. Out of the receivable revenue of Nu.0.387 million from 258 approved applicants, the source for the collection of Nu.0.169 million could not be traced out, and the revenue collection of Nu.0.181 million from 121 applications was pending as of 31 March 2019. Further, periodic reconciliation to ascertain the accuracy of total amount collected was not carried out as required under Clause 3.2.1 (d) of the RAM 2004. *AIN: 15051; Para: 4; Accountabilities: Direct: Gyeltshen, EID # 7703012; Supervisory: Hasta Bahadur Sangpang, EID # 8505063.*

Status: *Observation not settled.*

2.3 NON-COLLECTION OF LEASE RENT - NU.0.719 MILLION

Section 378 of Rules and Regulations for Lease of Government Reserved Forest Land and Government Land stipulates as “*The lease rent for the Government Land shall be as per the rate fixed by the Property Assessment and Valuation Assessment (PAVA).*” However, during the year 2015-16 the TTA had not collected lease rent amounting to Nu.0.719 million (including 24% penalty) from Ms. Kuenga Om, M/s Greener Way in respect of land leased for 10 years. The lapse had occurred due to laxity in handing-taking of responsibilities between the outgoing and incoming official, and also due to lack of proper internal control. *AIN: 15051; Para: 33; Accountabilities: Direct: Yeshi Wangdi, EID # 200207053; Supervisory: Yeshi Wangdi, EID # 200207053.*

Status: *The observation was settled as Nu.0.712 million against observation No.33a, 33b & 34b was recovered and the balance adjusted.*

2.4 NON-COLLECTION OF RECOVERY CHARGES FOR OPERATION AND MAINTENANCE OF PET BOTTLE CRUSHING PLANT AND APPLICABLE PENALTY THEREOF - NU.1.123 MILLION

The Clause 3 of the Contract Agreement between the TTA and M/s Greener Way stipulates as “*the private party (M/s Greener Way) should pay Nu.10,000.00 every month as recovery charges of the facilities including the land for the first year of the operation of the plant.*” Further, Clause 4 of contract agreement states that failing to pay or renew on the due date would result in a penalty of 24% on such payment. However, the TTA had not collected recovery charges and 24% penalty amounting to Nu.1.123 million from M/s Greener Way except for the first payment of Nu.0.040 million for the period April - July 2012. Further, M/s Greener Way was operating without renewing the contract agreement. *AIN: 15051; Para: 34; Accountabilities: Direct: Yeshi Wangdi, EID # 200207053; Supervisory: Kinlay Dorjee, EID # 9907556.*

Status: *The observation was settled as the amount was deposited vide receipt No.428584 dated 30/05/2019.*

2.5 NON-ACCOUNTAL AND NON-DEPOSIT OF REVENUE COLLECTED FROM 5% PROPERTY TRANSFER TAX AND OTHER ASSOCIATED FEES ON LAND CONVEYANCE - NU.2.749 MILLION

During the period 01/07/2015 to 30/06/2016, the TTA had not accounted/deposited revenue of Nu.2.749 million collected on account of 5% property transfer tax and other associated fees on land conveyance. The RAA could not trace out its deposits made into CD Account. The lapse had occurred due to non-conduct of periodic reconciliation of revenue collections and deposits, and due to non-

adherence to the RAM 2004. *AIN: 15051; Para: 37; Accountabilities: Direct: Gyeltshen, EID # 7703012; Supervisory: Hasta Bahadur Sangpang, EID # 8505063.*

Status: *Observation partially settled. Out of the total amount of Nu.2.749 million; Nu.2.704 million has been adjusted based on the verification carried out by Internal Auditor of Thimphu Thromde on 28/08/2018 that the amount was deposited into revenue account. Therefore, the outstanding balance stands at Nu.0.045 million.*

2.6 UNAUTHORIZED LEASE OF GOVERNMENT LAND AND IRREGULAR WAIVE-OFF OF LAND LEASE RENT NU.1.246 MILLION AND PENALTY THEREOF NU.1.047 MILLION

The TTA on 11/04/2011 had leased out 10,385.00 sq.ft. land to M/s Greener Way at a service recovery charge of Nu.10,000.00 per month for operation and maintenance of PET bottle crushing plant for one year subject to renewal based on satisfactory performance of the entity. The TTA had waived-off lease rent and penalty aggregating to Nu.2.293 million for the periods starting 2011-12 to 2016-17, for which the Thromde did not have financial powers under FRR thus leading to irregular waiver. *AIN: 15051; Para: 38; Accountabilities: Direct: Kinlay Dorjee, EID # 9907556; Supervisory: Kinlay Dorjee, EID # 9907556.*

Status: *Observation not settled.*

2.7 SHORT-LEVY AND EXCESS-LEVY OF 5% PROPERTY TRANSFER TAX ON LAND CONVEYANCE NU.0.198 MILLION AND NU.0.032 MILLION RESPECTIVELY

In accordance with Section 108 of Thromde Act of Bhutan 2007, the transferor/transferee was liable to pay property transfer tax on sale value of land/building as per the sale deed between the transferor and transferee or on sale value ascertained by way of valuation in case of building and property as per PAVA rate whichever is higher. However, the TTA, besides waiving-off 5% Property Transfer Tax (PTT), had short-levied it by Nu.0.198 million for some clients. On the contrary, there were instances of excess levy of 5% PTT amounting to Nu.0.032 million leading to inconsistent application of PTT. *AIN: 15051; Para: 41; Accountabilities: Direct: Dorji Namgyel, EID # 201101156, Nima Gyelpo, EID # 201001111; Supervisory: Kinlay Dorjee, EID # 9907556.*

Status: *Observation partially settled as Nu.0.198 million was considered as per recommendation of the audit report since the tax was waived off by the DRC. The excess levy of 5% property transfer tax on land conveyance has been dropped, while the short levy tax of Nu.0.011 against Tshering Dema should be recovered and deposited into audit recoveries account.*

2.8 FUND DIVERSION FROM APPROVED RGOB TO GOI PROJECT - NU.0.608 MILLION

The TTA had made fund diversion of Nu.0.608 million from the RGoB fund to the GoI funded project "Urban School Construction - Changangkha MSS". Against the GoI release of Nu.20.670 million during the FY 2015-16, the TTA had incurred expenditure of Nu.21.278 million resulting in excess expenditure of Nu.0.608 million which was met from the RGoB fund. As of 31 March 2019, the amount was not recouped from GoI fund. *AIN: 15141; Para: 5; Accountabilities: Direct: Bhim Kumar Pradhan, Accounts Asstt., EID # 9709071; Supervisory: Sonam Nima, SAO, EID # 8205034.*

Status: *Observation not settled.*

3. Non-compliance to Laws and Rules – Nu.2.933 million

There were cases of non-compliance to laws and rules amounting to Nu.2.933 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
3.1	Conversion of Jamthog into living rooms without appropriate approvals and levy of applicable fines/penalties	-	-	Settled
3.2	Absence of application of Turn Around Time (TAT) for processing of the building applications as per limit prescribed in Standard Operating	-	-	Unsettled
3.3	Conversion of Basement to Commercial and residential usages without approval vis-a-vis non-levy of fines and penalty	-	-	Settled
3.4	The minimum required plots sizes for various constructions not maintained as per standards vis-a-vis nonregularisation resulting in non-levy of applicable fines/penalties	-	-	Unsettled
3.5	Irregular allotment of Government Land on Lease	-	-	Unsettled
3.6	Inconsistent application of government orders on allotment of Government Land on lease to Private individuals and Non-Government Organization	-	-	Unsettled
3.7	Error in new thram (Land Ownership Certificate) after effecting land conveyance resulting into recording/reflecting of excess/shortage land in new thram	-	-	Unsettled
3.8	Change of precinct in new thram after effecting land conveyance and Discrepancy	-	-	Unsettled
3.9	Non completion of land transaction within given time frame and instances	-	-	Settled
3.10	Non-rectification of defective works in Laboratory & Classroom building	-	-	Settled
3.11	Discrepancy in the lapsed fund	2.933	-	2.933
	Total	2.933	-	2.933

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

3.1 CONVERSION OF JAMTHOG INTO LIVING ROOMS WITHOUT APPROPRIATE APPROVALS AND NON-LEVY OF APPLICABLE FINES/PENALTIES

Clause 2.16.2(iv) of Development Control Regulations (DCR) 2016 states as "the space within the Jamthog roof can be used for keeping water tanks, storage purposes, habitable spaces such as Choeshom (Altar) but it should be interconnected to the lower floor. However, Jamthog cannot be used as an independent dwelling". However, the Jamthog of 20 out of 104 buildings constructed in Thimphu, were not constructed as per the guidelines of DCR 2016 and Bhutanese Architectural Guidelines 2014 issued by the MoWHS. Further, the Jamthog were found converted to independent dwellings which was in deviation to the existing norms, for which no applicable fines/penalties were levied nor was such conversion regularized with appropriate approvals. *AIN: 15051; Para: 10; Accountabilities: Direct: Sangay Drakpa, EID # 2001110, Singay Choki, EID# 200301063, Pema Zangley, EID # 200604005, Kezang Jamtsho, EID # 20101100956, Tshering Pelzom, EID # 200307347, Tandin Wangdi, EID # 200301051, Tandin Wangmo, EID # 9901115; Supervisory: Jigme Dorji, EID # 200201095.*

Status: *The observation was settled as Thimphu Thromde had taken lapses action with the constitution of committee for the renewal of occupancy certificate and the issues were being taken care.*

3.2 ABSENCE IN APPLICATION OF TURN-AROUND-TIME (TAT) FOR PROCESSING BUILDING APPLICATIONS AS PER THE LIMIT PRESCRIBED IN STANDARD OPERATING PROCEDURE

As per Clauses 5.1.3 & 5.3.2 of Standard Operating Procedure (SoP) the maximum turn-around- time (TAT) for processing and approvals of building applications was set at 37 days. However, the TTA

had not adhered to the time limit prescribed in the SoP. Out of 1,159 applications approved during the last eight years (01.01.2009 to 31.12.2016), only 131 applications (representing 11.30%) were processed within the standard TAT and the remaining 1,028 applications (88.70%) were delayed substantially. The time taken for the approval ranged from minimum of 2 days to maximum 1,871 days indicating abnormal deviations from the standard TAT. The lapses had occurred due to lack of system for checking and monitoring the TAT and fixing accountability for the failure. *AIN: 15051; Para: 11; Accountabilities: Direct: Karma Jamtsho, EID # 9607012, Jigme Loday, EID # 201101151, Robin Rimal, EID # 20140103257, Sonam Wangchuk, EID # 20150105138, Sonam Tshering, EID # 20160106493, Kezang Choden, EID # 20160106504; Supervisory: Palden Khandu, EID # 200401005.*

Status: *Observation not settled.*

3.3 CONVERSION OF BASEMENT TO COMMERCIAL AND RESIDENTIAL USAGES WITHOUT APPROVAL VIS-A-VIS NON-LEVY OF FINES AND PENALTY

Clause 17.5 of Bhutan Building Rules 2002 requires that “*Change of building use without written permission of the Implementing Authority shall be regularized on payment of fines only if it conforms to the land use schedule and safety standards. If the building use does not conform to the land use and safety standards it will revert to the original use and the defaulter shall still pay a fine. The fine shall be 20% of the cost of construction of misused floor area determined by the Competent*

Authority.” The basements of several buildings initially approved as vehicular parking were used for commercial and living rooms without obtaining approvals. The Thromde had neither levied fines on such unauthorized conversions nor were they regularized later. The lapses had occurred due to lack of periodic review on the usage of buildings after the issuance of occupancy certificates by the Thromde Administration. *AIN: 15051; Para: 24; Accountabilities: Direct: Sangay Drakpa, EID # 2001110, Singay Choki, EID # 200301063, Pema Zangley, EID # 200604005, Kezang Jamtsho, EID # 20101100956, Tshering Pelzom, EID # 200307347, Tandin Wangdi, EID # 200301051, Sonam Dhendup, EID # 2001118, Tandin Wangmo, EID # 9901115; Supervisory: Jigme Dorji, EID # 200201095.*

Status: *The observation was settled as Thimphu Thromde had taken lapses action with the constitution of committee for the renewal of occupancy certificate and the issues were being taken care.*

3.4 THE MINIMUM REQUIRED PLOT SIZES FOR VARIOUS CONSTRUCTIONS NOT MAINTAINED AS PER STANDARDS VIS-A-VIS NON-REGULARISATION RESULTING IN NON-LEVY OF APPLICABLE FINES/PENALTIES

The TTA had approved building constructions of few applicants whose net plot areas were not as per the minimum required plot sizes specified in Table 3.0.2 of the DCR 2004. Further, since the deviations were not regularized, the Thromde Administration had not been able to levy fines liable as per Clause 2.8.7 of the DCR 2004. There was no system of reviewing the plot areas during the laying of building foundations and assessing the net plot areas after the land pooling, in order to curb such lapse. Further, there was no coordination amongst responsible divisions to detect and control such deviations, and the building owners lacked awareness on such requirements. *AIN: 15051; Para: 26; Accountabilities: Direct: Sangay Drakpa, EID # 2001110, Singay Choki, EID # 200301063, Pema Zangley, EID # 200604005, Kezang Jamtsho, EID # 20101100956, Tshering Pelzom, EID # 200307347, Tandin Wangdi, EID # 200301051, Tandin Wangmo, EID # 9901115; Supervisory: Jigme Dorji, EID # 200201095.*

Status: *Observation not settled.*

3.5 IRREGULAR ALLOTMENT OF GOVERNMENT LAND ON LEASE

The TTA had irregularly allotted two plots of land on lease to two private individuals - i) 600 sq.ft land above Babesa MSS to Mrs. Tshering Dolma for Construction of Septic tank/Soak pit tank, and ii)

2,178 sq.ft. land at Changangkha to Mrs. Jyotshna Gurung for Creation of Commercial Nursery. The purposes for which the two plots were allotted were not covered by Sections 90²⁰ and 91²¹ of Rules and Regulations for Lease of Government Land 2009 leading to irregular allotment of Government land to private individuals. *AIN: 15051; Para: 43; Accountabilities: Direct: Tandin Wangdi, EID # 200301051; Supervisory: Kinlay Dorjee, EID # 9907556.*

Status: *Observation not settled.*

3.6 INCONSISTENT APPLICATION OF GOVERNMENT ORDERS ON ALLOTMENT OF GOVERNMENT LAND ON LEASE TO PRIVATE INDIVIDUALS AND NON-GOVERNMENT ORGANIZATIONS

As per directives of MoWHS on allotment on Government land on lease vide letter no. MoWHS/DHS/2/62011-2012/228 dated 08/10/2012, the Thromde was required to refrain from allotting Government land to private individuals and NGOs even on lease within the Thromde area.

²⁰ "The local authority shall receive the application, scrutinize the compatibility of land use and approve or reject the proposals pertaining to temporary lease for i) Exhibition/Entertainment/sports/religious activities/seasonal markets (temporary); ii) Labour camps/stores for construction activities (short term) - Section 90 of Rules & Regulations for Lease of Government Land 2007; and

²¹ "For Activities that are not listed in the section 90 of this rule, the local authority shall receive the application, scrutinize the compatibility of land use and reject or forward the proposal to NLCS for decision within one month after receipt of the application" - Section 91 of Rules & Regulations for Lease of Government Land 2009.

However, the Thimphu Thromde without adhering to the directives of the Ministry had allotted 49,276.00 sq.ft. of Government land on lease to six clients (five individuals & one NGO) with lease terms ranging from 9 to 30 years. Non-application of Government orders uniformly to all the citizens had resulted in rendering undue favors to few individuals and an entity. *AIN: 15051; Para: 44; Accountabilities: Direct: Dorji Namgyel, EID # 201101156, Nima Gyelpo, EID # 201001111; Supervisory: Kinlay Dorjee, EID # 9907556.*

Status: *Observation not settled.*

3.7 ERRORS IN NEW LAGTHRAM (LAND OWNERSHIP CERTIFICATE) AFTER EFFECTING LAND CONVEYANCE RESULTING IN RECORDING/REFLECTING OF EXCESS/SHORTAGE LAND IN THE NEW LAGTHRAM

The Thromde had few instances of errors in land areas reflected in the new Lagthram (land ownership certificates) issued by the NLCS to the land owners. The new land ownership certificates did not reflect the correct land acreage after certain transactions were effected. For instance, after selling 4,247 sq.ft. out of 13,702 sq.ft. land, the balance land area in the seller's new Lagthram was erroneously reflected as 9,474 sq.ft. with an excess area of 19 sq.ft. instead of the actual 9,455 sq.ft. On the other hand, the land area of 4,247 sq.ft. reflected in a new Lagthram was 8 sq.ft. less than the actual land area of 4,255 sq.ft. Such discrepancies reflected lack of communication and coordination between the TTA and NLCS. *AIN: 15051; Para: 45; Accountabilities: Direct: Lungten Tenzin, EID # 200905085; Supervisory: Dorji Namgyel, EID # 201101156.*

Status: *Observation partially settled. It has been noted that the transaction of land from Passang Dorji & Karma Dema to Pema Dorji was cancelled and revereted to the original land owners since the plot fell under Urban Village Core Precinct (UV1) where the minimum plot size requirement is 10764 sq.ft (Net area). In the case of land transferred from Tashi Dorji to Chencho Nidup, no action has been initiated.*

3.8 CHANGE OF PRECINCT IN NEW LAGTHRAM AFTER LAND CONVEYANCE AND ITS DISCREPANCY

Section 127(d) of Land Rules and Regulations 2007 states as “the NLCS shall effect the changes in thram or issue new thram and accordingly inform the Dzongkhag and Gewong/Thromde to update the thram if there is no discrepancy”. However, the TTA had few instances of old precincts being changed/approved in the new Lagthram issued after certain land conveyancing, such as changing the precinct from Traditional Village (TV) to Urban Village-Medium Density (UV-MD). Such changes of precincts in the new Lagthram was not in compliant to the prevailing norms indicating extension of undue favours to the land owners. *AIN: 15051; Para: 46; Accountabilities: Direct: Dorji Namgyel, EID # 201101156, Nima Gyelpo, EID # 201001111; Supervisory: Kinlay Dorjee, EID # 9907556.*

Status: *Observation not settled.*

3.9 NON-COMPLETION OF LAND TRANSACTIONS WITHIN GIVEN TIME FRAME AND INSTANCES OF THE DELAYS THEREOF

As per the requirements set out in the Land Act of Bhutan and the Land Rules and Regulation 2007, the land transaction should be completed within 67 days after registration of application when sub-division of land is not required for the land transaction and within 97 days when a transaction entails sub-division of land. However, the Thromde had instances where some land transactions were completed within 30 to 40 days while some transactions took more than 120 days. While such delays in the service delivery had caused inconvenience to the clients, it reflected complacency and inefficiency on part of the TTA. *AIN: 15051; Para: 48; Accountabilities: Direct: Dorji Namgyel, EID # 201101156, Nima Gyelpo, EID # 201001111; Supervisory: Kinlay Dorjee, EID # 9907556.*

Status: *The observation was settled with the consideration of upgradation of e-Sakor to citizens' portal.*

3.10 NON-RECTIFICATION OF DEFECTIVE WORKS IN LABORATORY & CLASSROOM BUILDING

The TTA had not rectified defective works in the construction of laboratory and classroom buildings in Changangkha MSS. The walls of eight newly constructed classrooms and the school laboratory had developed vertical and horizontal cracks.

The development of such cracks on the completed structures had posed serious safety risks to the students and teachers of the school. It indicated poor workmanship of the contractor, and lack of supervision and monitoring by the project management and the site engineer. *AIN: 15141; Para: 2; Accountabilities: Direct: Bhim Kumar Pradhan, Accounts Asstt., EID # 9709071; Supervisory: Sonam Nima, SAO, EID # 8205034.*

Status: *The observation was settled based on the rectifications carried out as per the letter No.TT/INFRA/BS/GEN(01)/2019-20/924 dated 07/10/2019.*

3.11 DISCREPANCY IN THE LAPSED FUND - NU.2.933 MILLION

The actual lapsed fund for the FY 2016-17 worked out to Nu.2.946 million as against Nu.0.013 million reported by the TTA resulting in under reporting of the lapsed fund by Nu.2.933 million. The erroneous reporting of lapsed fund under GoI project was apparently due to improper reconciliation of monthly accounts and omission of prior year advances amounting to Nu.2.933 million. *AIN: 15141; Para: 6; Accountabilities: Direct: Bhim Kumar Pradhan, Accounts Asstt., EID # 9709071; Supervisory: Sonam Nima, SAO, EID # 8205034.*

Status: *Observation not settled.*

4. Shortfalls, Lapses and Deficiencies – Nu.0.187 million

There were cases of shortfalls, lapses and deficiencies amounting to Nu.0.187 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
4.1	Absence of adequate documentations on levy of betterment charges and irregularities thereof	-	-	Unsettled
4.2	Non-availability of proper inventory of Land within Thimphu Thromde	-	-	Unsettled
4.3	Excess payment in the construction of Changangkha MSS (Package I)	0.187	-	0.187
Total		0.187	-	0.187

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

4.1 ABSENCE OF ADEQUATE DOCUMENTATIONS ON LEVY OF BETTERMENT CHARGES AND IRREGULARITIES THEREOF

Clause 3.4 of DCR 2004 states "*Betterment Charges would be collected for areas within the local area planning under land pooling but where physical pooling is not feasible totally. These charges would be applicable for areas within LAP which are partially pooled and the betterment charges shall be charged based on the remainder percentage of pooling. The rate considered for calculating betterment charges would be as per Land Compensation Rate, 1996.*" However, the TTA had not collected any betterment charges as on date of audit (June 2017) nor obtained any clearance in support of such waiver. The lapse had occurred due to lack of proper system to check the payment of such charges before approving applications and lack of coordination amongst the functional divisions. *AIN: 15051; Para: 18; Accountabilities: Direct: Kinlay Dorjee, EID # 9907556; Supervisory: Kinlay Dorjee, EID # 9907556.*

Status: Observation not settled.

4.2 NON-AVAILABILITY OF PROPER INVENTORY OF LAND WITHIN THIMPHU THROMDE

Not adhering to the requirements to maintain inventory of land within its own jurisdictions as per prevailing norms²², the TTA had not maintained up-to-date land inventory and information. The detailed information of some lands and their ownership certificates were not available in the

²² "*Lands transacted and registered in the Chhagzhag Thram in accordance with the Land Act, shall be registered in the Thromde*" - Section 115 of Thromde Act of Bhutan; and "*Thromde shall be responsible for the administration and management of all Government land or government reserved forest lands within the Thromde boundary*" - Section 164, Chapter 9 of Thromde Rules 2011.

land record data, which indicated incomplete maintenance of land inventory and information. Further, there was mismatch in the number of plots maintained by different stakeholders. The records of land inventory as per Land Record showed 6,777 plots while the records as per Thimphu Structural Plan and Local Area Plans showed only 5,120 plots. Such discrepancies indicated lack of proper documentation and information management system in the TTA. *AIN: 15051; Para: 47; Accountabilities: Direct: Dorji Namgyel, EID # 201101156, Nima Gyelpo, EID # 201001111; Supervisory: Kinlay Dorjee, EID # 9907556.*

Status: Observation not settled.

4.3 EXCESS PAYMENT IN THE CONSTRUCTION OF CHANGANGKHA MSS (PACKAGE - I) - NU.0.187 MILLION

The TTA had made an excess payment of Nu.0.187 million to M/s Chukha Construction Pvt. Ltd. in the construction of Changangkha MSS. The lapse had occurred apparently due to failure of the site engineer to exercise necessary checks and ensure the admissibility of contractor's claims prior to making the final payment. *AIN: 15141; Para: 1; Accountabilities: Direct: Tshering Dorji, AE, EID # 20140103519; Supervisory: Jigme Dorji, Chief Engineer, EID # 200201095.*

Status: *Observation not settled.*

1.3.5 CORPORATIONS

1.3.5.1 ARMY WELFARE PROJECT

During the year, the RAA conducted two audits of Army Welfare Project. There were two observations amounting to Nu.10.050 million which were not resolved prior to the compilation of the draft AAR. The significant irregularities reported in the draft AAR 2018 amounted to Nu.10.050 million. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.10.050 million as summarised below.

Out of the total unresolved irregularities of Nu.10.050 million reported to the Parliament in June 2019, Nu.6.876 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Project. The unresolved significant irregularities amounting to Nu.3.174 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	10.050	6.876	3.174	68.42
	Total	10.050	6.876	3.174	68.42

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Shortfalls, Lapses and Deficiencies - Nu.3.174 million

There were cases of shortfalls, lapses and deficiencies amounting to Nu.10.050 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
1.1	Pending settlements of old outstanding (sundry debtors)	2.532	-	2.532
1.2	Pending settlements of sundry debtors	7.518	6.876	0.642
	Total	10.050	6.876	3.174

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

1.1 PENDING SETTLEMENTS OF OLD OUTSTANDING (SUNDRY DEBTORS) - NU.2.532 MILLION

The Army Welfare Project, Phuentsholing, as of 31/12/2017 had outstanding sundry debtors amounting to Nu.6.780 million out of which the management had realized Nu.4.248 million leaving balance of Nu.2.532 million unsettled as on date of audit. Out of the total unsettled balance, Nu.1.840 million was against Mr. Lobzang Tshering and Nu.0.692 was the dues of Phuentsholing Bonded Ware House. *AIN: 15332; Para: 1.1; Accountabilities: Direct: Karma Tobgyel, General Manager (AFD), CID # 11410004866; Supervisory: Rinchen Yoezer, Managing Director, CID # 10102001209.*

Status: *Observation not settled.*

1.2 PENDING SETTLEMENTS OF SUNDRY DEBTORS - NU.7.518 MILLION

As of 31/12/2017, the Army Welfare Project, Samtse had outstanding sundry debtors amounting to Nu.7.518 million on sale of cardboard boxes. Accumulation of huge outstanding revenues was mainly due to non-monitoring of the Sundry Debtors on a periodic basis as required by the AWP's Financial Accounting Manual. *AIN: 15340; Para: 1.1; Accountabilities: Direct: Thinley Zangmo, Sr. Account Asst., CID # 11510001238, Tshering Choden, Manager, CID # 10808001706, Supervisory: Kuenzang Tshering, Sr. Manager (CBBU), CID # 10811002088.*

Status: *Observation partially settled. Out of the total outstanding of Nu.7.518 million an amount of Nu.6.876 million was adjusted vide follow up report No.RAA/OAAG-Pling/AWP(samtse)-C9/2019/756 dated.20/09/2019 leaving a balance of Nu.0.642 million.*

1.3.5.2 BASOCHU HYDROPOWER PLANT

During the year, the RAA conducted one audit of Basochu Hydro Power Plant. There were three observations amounting to Nu.5.373 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.5.373 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the project, observations amounting to Nu.5.373 million were resolved. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

The unresolved irregularity reported to the Parliament in June 2019 had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Agency. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	-	-	-	100
	Total	-	-	-	

The details of unsettled irregularity reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

There was case of shortfalls, lapses and deficiencies as indicated below:

1.1 AUDIT CLEARANCE CERTIFICATES NOT OBTAINED FOR THE TRAINING AND WORKSHOPS ABROAD

The RAA vide circular no. RAA(AG-SP)2015-2016/292 dated 22/01/2016 had instituted mandatory production of Audit Clearance Certificate for various purposes like promotion, studies, training, workshops, seminar, study tour, interview, contract extension and post- retirement benefits in all institutions including Corporations and Financial Institutions. However, during the FYs 2016 and 2017, the Basochu Hydropower Plant had approved training/workshops/seminars of some officials without obtaining the audit clearance certificates. *AIN: 15549; Para: 3; Accountabilities: Direct: Dorji Khandum, Asstt. Manager (HR), CID # 11805001957; Supervisory: Dechen Dorji, Executive Engineer, Interim-Head of Plant, CID # 11505001797.*

Status: *The observation was settled vide letter No.RAA/OAAG(T)fus-01/2019-2020/0090 of 13.08.2019.*

1.3.5.3 BHUTAN AGRO INDUSTRIES LIMITED

During the year, the RAA conducted one audit of Bhutan Agro Industries Ltd. There were three observations amounting to Nu.2.564 million of which two observations amounting to Nu.0.064 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.2.500 million.

The unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.2.500 million as summarised below.

Out of the total unresolved irregularities of Nu.2.500 million reported to the Parliament in June 2019, the irregularity remained unresolved as on 30 Sept. 2020. The details of the unresolved significant irregularities is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	2.500	-	2.500	-
	Total	2.500	-	2.500	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Fraud, Corruption and Embezzlement – Nu.2.500 million

There was a case of fraud, corruption and embezzlement amounting to Nu.2.500 million as indicated below:

1.1 MANIPULATION AND TAMPERING OF STORE RECORDS AND GOODS ISSUE NOTE RESULTING IN OVERALL STOCK SHORTAGE OF NU.2.500 MILLION

Bhutan Agro Industries had shortage of stock worth Nu.2.500 million due to misappropriation of stock of finished products through manipulation of system by the Store personnel, collusion between the Store Officer and Sales staff, and also due to lack of monitoring by the supervisors. The manipulation and tampering of records was executed through:

- i) repeated entry of same Good Issue Note (GIN) in the system;
- ii) recording items in the system without raising cash memo and invoice;
- iii) non-recording of items and its quantities that are issued as per GIN; and

iv) non-recording of items issued in the system but had the cash memos/invoices raised.

The case had been forwarded to ACC for investigation. *AIN: 15091; Para: 2; Accountabilities: Direct: Tshering Thinley, CID # 11505002019; Supervisory: Leeladhar Pokhrel, GM (Marketing), CID # 21811000397, Ugyen Dorji, GM, Works, CID # 10703002180, Tashi Wangdi, GM, Monggar Plant, CID # 11503001126.*

Status: *Observation not settled. The case has been forwarded to ACC as per the letter No.BAI/ACC-14/2020/1143 dated 29/10/2020.*

1.3.5.4 BHUTAN BOARD PRODUCTS LIMITED

During the year, the RAA conducted one audit of Bhutan Board Product Limited. There were four observations which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities were reported in the draft AAR 2018.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the corporation, three observations were resolved. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below:

The unresolved irregularity reported to the Parliament in June 2019 had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Agency. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	-	-	-	100
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Shortfalls, Lapses and Deficiencies

There was a case of shortfalls, lapses and deficiencies as indicated below:

1.1 DEFICIENCY IN THE MAINTENANCE OF STOCK REGISTER FOR RTA FURNITURE

The Ready-To-Assemble Furniture Warehouse (RTAF) II, BBPL Head Office, Phuentsholing had deficiency in the maintenance of stock register for the RTAF. The deficiency was prominent from the difficulty in obtaining overall data for stock reconciliation, inconsistency in data entry between RTAF Phuentsholing and RTAF Pasakha, and time consuming in producing consolidated reports. *AIN: 15494; Para: 2.1; Accountabilities: Direct: Narendra Rai, Dy. GM (RTAF), CID # 11202002097, Supervisory: Sonam Wangchuk, GM (Mktg/RTA/Legal), CID # 11410001377.*

Status: *The observation was settled vide follow up report No.RAA/OAAG-Pling/FUS/BBPL-C13/2019/682 dated.27/08/2019.*

1.3.5.5 BHUTAN DUTY FREE LIMITED

During the year, the RAA conducted one audit of Bhutan Duty Free Limited. There were three observations which were not resolved prior to the compilation of the draft AAR 2018. The

significant irregularities were reported in the draft AAR 2018.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the corporation, one observation was resolved. The unresolved significant irregularities reflected in the AAR 2018 are as summarised below.

The unresolved irregularities reported to the Parliament in June 2019 had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Agency. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	-	-	-	100
2	Non-compliance to Laws and Rules	-	-	-	100
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Mismanagement

There was a case of mismanagement as indicated below:

1.1 DISCREPANCIES IN STOCK

The Bhutan Duty Free Limited (BDFL) had difference in yearend closing stocks as per records and the actual stock balance of some items. As on 31/12/2017, the actual closing stocks of liquor items and wine glasses were in excess of the closing stock as per books by 317 and 307 numbers respectively. On the contrary, the actual closing stocks of consumable items and perfumes were in short by 441 and 126 numbers. The lapses had occurred due to improper handing-taking of charges by the dealing officials. *AIN: 15094; Para: 4; Accountabilities: Direct: Karma Dema, Store Officer, CID # 11515000505; Supervisory: Kapil Mani Sharma, Chief Executive Officer, CID # 11311000533.*

Status: *The observation was settled based on the letter No. ACC/DOPS/CMD/04/380 dated 16.4.2018 of the ACC.*

2. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules as indicated below:

2.1 DIRECT PROCUREMENT OF GOODS

The BDFL had made purchases (cosmetics, chocolates, liquor and books) worth Nu.64.982 million directly from authorized distributors outside Bhutan without inviting competitive bidding. The procurement was made in violation to Section 4.1.2 of PRR 2009 which required the agency to seek offers and/or quotations and/or invite bids from individuals and legal entities from outside Bhutan when certain goods are not available in the country. *AIN: 15094; Para: 1; Accountabilities: Direct: Kapil Mani Sharma, Chief Executive Officer, CID # 11311000533; Supervisory: Kapil Mani Sharma, Chief Executive Officer, CID # 11311000533.*

Status: *The observation was settled based on the follow up letter No.RAA(CFID/BDFL)FUCD/2019 dated 18/09/2019.*

1.3.5.6 BHUTAN LOTTERY LIMITED, PHUENTSHOLING

During the year, the RAA conducted one audit of Bhutan Lottery Limited (BLL). There were seven observations amounting to Nu.26.355 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.26.355 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the agency, five observations amounting to Nu.26.355 million were resolved. The unresolved significant irregularities reflected in the AAR 2018 are as summarised below.

The unresolved irregularity reported to the Parliament in June 2019 had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Agency. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
1.1	Payment of prize money in cash basis	-	-	Settled
1.2	Tender on Development, Implementation, Operational Support and Maintenance of an iLottery system and iLottery Games	-	-	Settled
	Total	-	-	-

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

1.1 PAYMENT OF PRIZE MONEY IN CASH BASIS

For making payment against an approved claim, the FRR 2016 in its Clause S.11.1(a) requires that "All payments shall be made by cheque. Agencies are not permitted to draw self-cheques for drawing cash to make cash payments." On contrary to the stipulation, the Bhutan Lottery Limited (BLL) had several instances of prize monies being paid in cash, the sum of which aggregated to Nu.0.944 million in the year 2017. *AIN: 15600; Para: 2; Accountabilities: Direct: Rakesh Pradhan, Finance Officer, CID # 21304000088; Supervisory: Leki Wangmo, Manager (AFD), CID # 10811000561.*

Status: *The observation was settled vide letter No.RAA/OAAG-Pling/BLL-C53/2018/219 dated.19/04/2019.*

1.2 TENDER ON DEVELOPMENT, IMPLEMENTATION, OPERATIONAL SUPPORT AND MAINTENANCE OF AN ILOTTERY SYSTEM AND ILOTTERY GAMES

The BLL had embarked on launching an online interactive ‘iLottery’²³ targeted for the domestic market for which the company received bids from six software companies. Three bidders viz., M/s Ugyen Trading House, Bhutan, M/s GI Gaming Co. Pvt. Ltd, India and M/s Kimaya Info Tech, India were technically qualified, and the tender evaluation committee after assessing the financial bids eventually declared M/s Kimaya Info Tech, India as the lowest evaluated bidder. The RAA observed following shortfalls in the procurement process:

- **Non-responsive bid not disqualified by the tender evaluation committee:** The financial proposal of Nu.48.947 million by M/s Ugen Trading House was not in conformity to the requirement of BLL, and therefore should have been treated as non-responsive bid by the committee. Besides, the mode of financial proposal offered by M/s Ugen Trading House was in disagreement with the other two responsive bidders, thus impairing fair evaluation/comparison of the financial bid. However, the tender evaluation committee had not disqualified the bidder; and
- **Assessment of estimated sales and revenue generation and ‘2% on Gross Sale’ payable to the winning bidder not clear:** The estimated sales and revenue generation worked out by the bid evaluation committee was a critical factor in determining the award of work but since the assessment lacked clarity, the RAA could not ascertain its correctness and completeness. Consequently, the ‘2% on Gross Sale’ payable to the winning bidder based on the estimated revenue generation was not clear. Besides, it was unclear whether the ‘2% on Gross Sale’ quoted by the bidder referred to one- time payment or gross sale of every iLottery draw. Further, the RAA could not ascertain the amount of Nu.5.000 million charged on the software by the winning bidder despite the BLL requiring to ‘lease the iLottery Software for three years’ as per tender document.

AIN: 15600; Para: 6.2; Accountabilities: Direct: Phenphey R Drukpa, CEO, CID # 10811001086, Leki Wangmo, AFD Manager, CID # 10811000561, Kinzang Dorji, IT Officer, CID # 11705001370, Karma Choden, Marketing Manager, CID # 11103000232, Rakesh Pradhan, Finance Officer, CID # 21304000088; Supervisory: Phenphey R Drukpa, CEO, CID # 10811001086, Leki Wangmo, AFD Manager, CID # 10811000561, Kinzang Dorji, IT Officer, CID # 11705001370, Karma Choden, Marketing Manager, CID # 11103000232, Rakesh Pradhan, Finance Officer, CID # 21304000088.

²³ iLottery is a game designed to be played through modern digital channels of distribution (viz. Internet, Mobile Web, App, Tablet, ect), which in this case is to be hosted by the software contractor and the BLL with the access right to manage and run the game.

Status: *The observation was settled vide letter No.RAA/OAAG-Pling/BLL-C53/2019/204 dated.10/04/2019.*

1.3.5.7 BHUTAN POWER CORPORATION LIMITED

During the year, the RAA conducted nine audits of Bhutan Power Corporation Limited. There were 13 observations amounting to Nu.1.085 million of which 10 observations amounting to Nu.0.987 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.098 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the corporation, two observations amounting to Nu.0.098 million were resolved. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

The unresolved irregularity reported to the Parliament in June 2019 had not been settled as on 30 Sept. 2020. The details of the unsettled irregularity is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	-
	Total	-	-	-	

The details of irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules as indicated below:

1.1 IRREGULARITIES NOTED IN THE APPROVAL OF CONTRACT TIME EXTENSION

The Electricity Services Division, Bhutan Power Corporation Limited, Thimphu had approved time extension appealed six months after the work was handed-over by the contractor and released the liquidated damages of Nu.1.855 million deducted earlier. The approval of the time extension and consequent release of LD was in violation to Clause 3 (III) of the Contract Document which required that “...the contractor must give notice of any event causing a delay within 21 days of such occurrence and the Employer must within reasonable time decide on the extended date of completion.” The case is sub-judice. *AIN: 15090; Para: 2; Accountabilities: Direct: Krishna Humagai, SE, RCO Wangdue, CID # 11208000562, Passang, Engineer, ESD Thimphu, CID # 10207001172; Supervisory: Sandeep Rai, GM, DCSD, CID # 11212002065.*

Status: *Observation not settled.*

1.3.5.8 CONSTRUCTION DEVELOPMENT CORPORATION LIMITED

During the year, the RAA conducted two audits of Construction Development Corporation Limited. There were three observations amounting to Nu.12.393 million none of which was resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.12.393 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the corporation, two observations amounting to Nu.12.211 million were resolved. The unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.181 million as summarised below.

Out of the total unresolved irregularity of Nu.0.181 million reported to the Parliament in June 2019, the CDCL had not settled the same as on 30 Sept. 2020. The unresolved significant irregularity is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.181	-	0.181	-
	Total	0.181	-	0.181	

The details of unsettled irregularity reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules - Nu.0.181 million

There was a case of non-compliance to laws and rules amounting to Nu.0.181 million as indicated below:

1.1 OUTSTANDING SUNDRY DEBTORS - NU.0.181 MILLION

The Construction Development Corporation Limited (CDCL), Gelephu had huge outstanding balance amounting to Nu.1.872 million as on 30/04/2018 on account of machinery hired to various agencies. The lapses had occurred due to laxity in adhering to the terms and conditions of hiring machinery which required “the user to pay 100% hire charges in advance for the specified period of requirement before the release of machines, equipment and vehicles for work”. As of 31 March 2019, outstanding amount of Nu.1.691 million had been resolved leaving balance of Nu.0.181 million. *AIN: 15453; Para: 1; Accountabilities: Direct: Chencho Tshering, Assistant Manager, EID # CDCL8804001, Supervisory: Bobi Maya Thapa, Regional Manager, EID # CDCL1105011.*

Status: Observation not settled.

1.3.5.9 DRUK AIR CORPORATION LIMITED

During the year, the RAA conducted one audit of Druk Air Corporation Limited. There were seven observations amounting to Nu.93.276 million of which four observations amounting to Nu.0.169 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.93.107 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the corporation, two observations amounting to Nu.0.057 million were resolved. The unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.93.050 million as summarised below.

Out of the total unresolved irregularities of Nu.93.050 million reported to the Parliament in June 2019, the Corporation had settled the amount as on 30 Sept. 2020. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	93.050	93.050	-	100
	Total	93.050	93.050	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules amounting to Nu.93.050²⁴ million as indicated below:

1.1 ACCUMULATION OF HUGE BANK BALANCE - NU.93.050 MILLION

The Druk Air Station, Dhaka had retained huge bank balance amounting to Nu.93.050 million (Taka 111.504) million as of 28/02/2018. Similarly, the yearend bank balances amounted to Nu.40.954

million (Tk.49.076 million) and Nu.79.829 million (Tk.95.661 million) as on 31/12/2015 and 31/12/2016 respectively, leading to fund blockage ever year.

The accumulation of huge fund balance had occurred due to non-remittance of fund to the company's bank account on timely basis. *AIN: 15364; Para: 5; Accountabilities: Direct: Chundu Tshering, Station Manager, CID # 10810000777, Supervisory: Rinzin Dorji, Director, Department of Finance & Corporate Services, CID # 10607000945.*

²⁴ Bangladesh Tk.1 : Bhutan Nu.0.8345 (as on 31/12/2018).

Status: *The observation was settled as the amount was transfer to Druk Air Account maintained with BNBL Paro from Dakha.*

1.3.5.10 DUNGSAM CEMENT CORPORATION LIMITED, NGANGLAM

During the year, the RAA conducted one audits of Dungsam Cement Corporation Limited. There were nine observations amounting to Nu.9.670 million none of which was resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.9.670 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the corporation, six observations were resolved. The unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.9.670 million as summarised below.

Out of the total unresolved irregularities of Nu.9.670 million reported to the Parliament in June 2019, Nu.0.916 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Corporation. The unresolved significant irregularities amounting to Nu.8.754 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	8.754	-	8.754	-
2	Shortfalls, Lapses and Deficiencies	0.916	0.916	-	100
	Total	9.670	0.916	8.754	9.47

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules - Nu.8.754 million

There was a case of non-compliance to laws and rules amounting to Nu.8.754 million as indicated below:

1.1 NON-ADJUSTMENT/NON-RECOVERY OF ADVANCES - NU. 8.754 MILLION

As on 31/12/2017, the DCCL had unsettled advances amounting Nu.47.944 million paid to the parties on account of supply of raw materials, spare parts and hire of professional services. Out of the total unsettled amount the DCCL had settled advances amounting to Nu.39.190 as on 31/03/2019 leaving a balance of Nu.8.754 million. *AIN: 15507; Para: 4; Accountabilities: Direct: Tashi Tenzin, Manager (Procurement), CID # 20205000476; Supervisory: Karma Gayleg, DY CEO, CID #*

10715000188.

Status: Observation not settled.

2. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies amounting to Nu.0.916 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. In Million
2.1	Irregularities in payment of post-retirement benefits	0.916	0.916	-
2.2	Absence of proper guidelines for property management resulting into improper management of assets	-	-	Unsettled
	Total	0.916	0.916	-

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

2.1 IRREGULARITIES IN PAYMENT OF POST-RETIREMENT BENEFITS - NU.0.916 MILLION

Six officials of DCCL had tendered their resignation and claimed post-retirement benefits aggregating to Nu.0.916 million after being selected for jobs with higher grade in the same company. Those employees after their resignation had continued working instead of leaving the company after claiming the post-retirement benefits.

The payment of retirement benefits to the employees who had tendered their resignation after being selected for the higher post/grade in the same company was a serious lapse and not in line with general acceptable norms. The lapse had occurred due to lack of clear provisions in the company's service rules. *AIN: 15507; Para: 3.2; Accountabilities: Direct: Tashi Penjor, Head HRAD, CID # 11410004260; Supervisory: Karma Gayleg, DY CEO, CID # 10715000188.*

Status: The observation was settled based on the justifications provided vide letter No. RAA/OAAG-SJ(AR-173)/DCCL-Nganglam/2019/3701 dated 18.9.2019.

2.2 ABSENCE OF PROPER GUIDELINES FOR PROPERTY MANAGEMENT RESULTING INTO IMPROPER MANAGEMENT OF ASSETS

To ensure safe custody and proper utilization of the company's assets and properties, it is important for the DCCL to maintain an updated inventory of its properties at all times. However, the DCCL had no proper guidelines on property management due to which some household appliances (television set and room heater) issued to the guest house were missing and some were issued to the staffs for their personal use. The lapse can be attributed to improper handing- taking of guest house items and due to non-maintenance of proper stock records. *AIN: 15507; Para: 7; Accountabilities: Direct: Dawa Zangpo, Associate Admin, CID # 11106003032; Supervisory: Tashi Penjor, Head HRAD, CID # 11410004260.*

Status: Observation not settled.

1.3.5.11 DUNGSAM POLYMERS LIMITED

During the year, the RAA conducted one audit of Dungsam Polymers Limited. There were six

observations amounting to Nu.1.343 million none of which was resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.343 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the corporation, two observations were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.343 million as summarised below.

Out of the total unresolved irregularities of Nu.1.343 million reported to the Parliament in June 2019, Nu.0.760 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Dungsam Polymers Limited. The unresolved significant irregularities amounting to Nu.0.583 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	0.455	-	0.455	-
2	Non-compliance to Laws and Rules	0.128	-	0.128	-
3	Shortfalls, Lapses and Deficiencies	0.760	0.760	-	100
	Total	1.343	0.760	0.583	56.59

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Mismanagement - Nu.0.455 million

There was a case of mismanagement amounting to Nu.0.455 million as indicated below:

1.1 NON-REALIZATION OF OUTSTANDING CREDIT SALES - NU.0.455 MILLION

The Dungsam Polymers Limited (DPL) had not complied with the company's Credit Policy 2015 pertaining to credit sales, resulting into non-realization of the old credit sales amounting to Nu.0.455 million from three sundry debtors namely, Sitaram, Lachen and Druk Cement. The DPL had not realized credit sales even after the expiry of the credit facility period of 30 days from the date of invoice stipulated in the credit policy. *AIN: 15311; Para: 1; Accountabilities: Direct: Sangay Bidha, Dy. Finance Manager, CID # 11512003005; Supervisory: Sherab Chopel, CSD Head, CID # 12004002941.*

Status: *Observation not settled.*

2. Non-compliance to Laws and Rules - Nu.0.128 million

There were cases of non-compliance to laws and rules amounting to Nu.0.128 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
2.1	Non-imposition of liquidated damages	0.049	-	0.049
2.2	Non-receipt of goods after making advance payment	0.079	-	0.079
	Total	0.128	-	0.128

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

2.1 NON-IMPOSITION OF LIQUIDATED DAMAGES - NU.0.049 MILLION

The DPL had not levied liquidated damages amounting to Nu.0.049 million for the delay in settlement of bills beyond the credit periods stipulated in the company's Credit Policy 2015. *AIN: 15311; Para: 2; Accountabilities: Direct: Sangay Bidha, Dy. Finance Manager, CID # 11512003005; Supervisory: Tshering Tenzin, CEO, CID # 11505001826.*

Status: *Observation not settled.*

1.2 NON-RECEIPT OF GOODS WORTH NU.0.079 MILLION AFTER MAKING ADVANCE PAYMENT

The DPL had not received supplies worth Nu.0.079 million from M/s Lohia Corp. Limited, India. The advances of Nu.0.078 million and Nu.0.001 million were paid to the supplier on 14/01/2015 and 09/03/2017 respectively, however the DPL had not received the stock from the supplier as on date of audit. The applicable LD was not imposed on value of undelivered supplies. *AIN: 15311; Para: 6; Accountabilities: Direct: Kencho Tshering, Dy. Manager (Procurement), CID # 11106003429; Supervisory: Sherab Chopel, CSD Head, CID # 12004002941.*

Status: *Observation not settled.*

3. Shortfalls, Lapses and Deficiencies

There was a case of shortfalls, lapses and deficiencies amounting to Nu.0.760 million as indicated below:

3.1 NON-FULFILLMENT OF CUSTOMER DEMAND RESULTING INTO LOSS OF REVENUE - NU.0.760 MILLION

The DPL had not complied to the company's annual compact for January to December, 2017 signed with DHI which had resulted in non-achievement of annual sales target and revenue generation amounting to Nu.0.760 million. Against the demand of Nu.2.004 million worth of *Polypropylene Bags* from three companies, the DPL was able to make supply worth Nu.1.244 million only with resultant revenue loss of Nu.0.760 million during the financial year. The non-fulfilment of customers' demand and its resultant revenue loss was reportedly due to labor shortage at finishing unit. *AIN: 15311; Para: 3; Accountabilities: Direct: Sonam Dorji, Dy. Manager (IT), CID # 11505001826, Rinchen Sonam, JE Production, CID # 12005002772; Supervisory: Sherab Chopel, CSD Head, CID # 12004002941, D.B. Gurung, TSD Head, CID # 11305003222.*

Status: *The observation was settled vide review report No.RAA/OAAG-SJ/(AR-146)DPLNanlam/2018/2650 dated 12/12/2018.*

1.3.5.12 FARM MACHINERY CORPORATION LIMITED

During the year, the RAA conducted one audit of Farm Machinery Corporation Limited. There were eight observations amounting to Nu.22.317 million none of which was resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.22.317 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the corporation, four observations were resolved. The unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.22.317 million as summarised below.

Out of the total unresolved irregularities of Nu.22.317 million reported to the Parliament in June 2019, the FMCL had settled all the irregularities as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Corporation. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	22.247	22.247	-	100
2	Shortfalls, Lapses and Deficiencies	0.070	0.070	-	100
	Total	22.317	22.317	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Mismanagement

There was a case of mismanagement amounting to Nu.22.247 million as indicated below:

1.1 DISCREPANCIES IN THE REVENUE COLLECTION AND DEPOSIT - NU.22.247 MILLION

The Farm Machinery Corporation Ltd. (FMCL) had variation of Nu.22.247 million in revenue collection on sales and hiring of farm machineries and its deposit for the year 2016-2017. Against the total collection of Nu.146.323 million, a total deposit of Nu.120.658 million only had been made as per the tally resulting into difference of Nu.25.665 million. After considering the debtor amount of Nu.3.418 million, the actual unreconciled amount was Nu.22.247 million. Further, the spare parts & machineries worth Nu.5.389 million sold on credit to the MoAF was not booked under debtors, resulting in understatement of current assets to that extent. The difference had occurred mainly due to operation of different revenue heads and bank accounts in the regions, and lack of periodical reconciliation of revenue. *AIN: 15521; Para: 1; Accountabilities: Direct: Kelzang Namgay, DGM, AFD, CID # 11513001731; Chogyal, DGM, FMSD, CID # 11315001826; Supervisory: Karma Thinley, Chief Executive Officer, CID # 11503003616.*

Status: *The observation was settled based on the reconciliation carried out by the management.*

2. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies amounting to Nu.0.070 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
2.1	Difference in the item issued from AMC to FMCL	-	-	Settled
2.2	Improper valuation of Closing Stock with resultant difference	-	-	Settled
2.3	Missing Original Copy of Job Card	0.070	0.070	-
	Total	0.070	0.070	-

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

1.1 DIFFERENCE IN THE ITEM ISSUED FROM AMC TO FMCL

With the establishment of FMCL as a corporate body, the machineries & spare parts from the Agriculture Machinery Centre (AMC) were taken over by FMCL. As per the audited financial

statements, inventory worth Nu.77.170 million were recorded as received from AMC. On the contrary, the records of goods receipt notes showed stock receipts of Nu.183.677 million received by FMCL while the handing-taking note of AMC showed stock transfer worth Nu.109.483 million giving rise to unreconciled difference of stock worth Nu.74.194 million. *AIN: 15521; Para: 3d; Accountabilities: Direct: Kelzang Namgay, DGM, CID # 11513001731; Supervisory: Karma Thinley, CEO, CID # 11503003616.*

Status: *The observation was settled as the management had revised the hand taking documents with AMC and accordingly records incorporated in the financial statement.*

1.2 IMPROPER VALUATION OF CLOSING STOCK WITH RESULTANT DIFFERENCE

There was difference of Nu.20.562 million in the value of closing stock reported by the FMCL and its value worked out by the RAA. The value of closing stock as on 31/12/2017 worked out to Nu.132.992 million whereas the value reported by the FMCL was Nu.112.492 with undervaluation by 20.562 million. The undervaluation had occurred because the item rates applied for the valuation of closing stock were the rates as on 22/02/2018 when the database of the closing stock was extracted from the system instead of the yearend rates as on 31/12/2017. Since the inventory system did not have any provision to generate the yearend rates, the new rate in the system was applied thereby resulting in undervaluation of stock. *AIN: 15521; Para: 3c; Accountabilities: Direct: Kelzang Namgay, DGM, CID # 11513001731; Supervisory: Karma Thinley, CEO, CID # 11503003616.*

Status: *The observation was settled as the management had revised the hand taking documents with AMC and accordingly records incorporated in the financial statement.*

1.3 MISSING ORIGINAL COPY OF JOB CARD – NU.0.070 MILLION

For the hiring of equipment and machineries, the FMCL issues job card for every machine being hired out and accordingly collects hire charges based on the actual number of machine hours deployed. A total of 34 original copies of the job cards were missing with no record of subsequent collection and account of revenue for those job cards. *AIN: 15521; Para: 2; Accountabilities: Direct: Dechen Norbu, Technician, CID # 10906002596; Supervisory: Lhakpa Dorji, RM, CID # 10202001163.*

Status: *The observation was settled as the amount of Nu.0.070 million was recovered and deposited into FMCL's account.*

1.3.5.13 FOOD CORPORATION OF BHUTAN LIMITED, PHUENTSHOLING

During the year, the RAA conducted two audits of Food Corporation of Bhutan, Phuentsholing. There were four observations amounting to Nu.4.073 million none of which was resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.4.073 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.4.073 million as summarised below.

Out of the total unresolved irregularities of Nu.4.073 million reported to the Parliament in June 2019, the irregularities of Nu.3.989 million had been settled as on 30 Sept. 2020. The unresolved significant irregularities amounting to Nu.0.084 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	3.492	3.41	0.084	97.59
2	Shortfalls, Lapses and Deficiencies	0.581	0.58	-	100
	Total	4.073	3.989	0.084	97.94

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules - Nu.0.084 million

There was a case of non-compliance to laws and rules amounting to Nu.3.492 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
1.1	Non-obtaining of Audit Clearance Certificate while attending short-term training outside country	-	-	Settled
1.2	Non-receipt of reimbursement of claims made on utilization of 'Free Items' scheme	3.492	3.408	0.084
	Total	3.492	3.408	0.084

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

1.1 NON-OBTAINING OF AUDIT CLEARANCE CERTIFICATE WHILE ATTENDING SHORT-TERM TRAINING OUTSIDE COUNTRY

As per BCSR 2012 Chapter 9, Clauses 9.4.2 it states that '*Short-term training for all positions shall be approved by the HR Committee of the Agency concerned and be implemented as per Annexure 9/1*', where annexure 9/1 requires a civil servant to submit original and valid audit clearance certificate while availing short-term trainings. However, few officials of MoAF and FCBL had availed short-term training without obtaining audit clearance certificate.

Further, the officials had also availed training when audit clearance was rejected by RAA, which was in contravention to the above cited clause under BCSR 2012. *AIN: 15643; Para: 1; Accountabilities: Direct: Khampa, Dzongkhag, Agriculture Officer, EID # 9507104; Devi Charan Bhandari, Dzongkhag Agriculture Officer; EID # 9709001; Kuenzang Peldon, Dzongkhag Agriculture Officer; EID # 200801021; Sangay Choda, Component Manager, EID # 919881; Supervisory: Yogan Tirwa, Head, EID # 919880.*

Status: *The observation was settled vide letter No FCB/FAD/20/2019/197 dated 13th September 2019 and MD/HRS-09/2019-19/3279 dated 29 may 2019 as administrative actions were taken against the accountable persons.*

1.2 NON-RECEIPT OF REIMBURSEMENT OF CLAIMS MADE ON UTILIZATION OF 'FREE ITEMS' SCHEME - NU.3.492 MILLION

The FCBL's Phuentsholing Wholesale Depot In-charge had implemented 'Free Items' scheme of M/s Hindustan Unilever Limited with utilization value of Nu.3.492 million without prior approval and consent of the FCBL Management. The operation of the scheme for substantial value by Depot In-

charge without the consent of the management remained ambiguous; and RAA could not rule out fraudulent practices by the officials concerned. *AIN: 15416; Para: 1.2; Accountabilities: Direct: Phub Dem, Senior Supervisor, CID #10204000779, Supervisory: Sangay Wangdi, GM, CID # 11410005316.*

Status: *Observation partially settled. Out of the total amount of Nu.3.492 million; Nu. 3.408 million had been adjusted vide letter No.FCB/FAD/20/2020/377 dated 24/04/2020 leaving a balance of Nu.0.084 million.*

2. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies amounting to Nu.0.581 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
2.1	Outstanding Claims Receivable on utilization of scheme 'Discounts on	0.496	0.496	-
2.2	Outstanding amount against M/s Hindustan Unilever Ltd. (PP)	0.084	0.084	-
Total		0.581	0.581	-

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

2.1 OUTSTANDING CLAIMS RECEIVABLE ON UTILIZATION OF SCHEME 'DISCOUNTS ON PRODUCTS' - NU.0.496 MILLION

The Food Corporation of Bhutan Limited, Phuentsholing had implemented sales promotion scheme 'Discounts on Products' launched by M/s Hindustan Unilever Ltd., India, for which the scheme utilization value of Nu.0.496 million (Nu.0.323 million for 2015 and Nu.0.173 million for 2016) was not received from the principal company as on the date of audit. The delay in such receipts affects the FCBL's operating profit and since the receivables do not bear any interests, the principal company indirectly benefitted from the dues in the form of soft loan. *AIN: 15416; Para: 1.1; Accountabilities: Direct: Tshoki Wangmo, Sr. Manager, CID # 10104001058, Supervisory: Sangay Wangdi, GM, CID # 11410005316.*

Status: *The observation was settled vide letter No.FCB/FAD/20/2020/377 dated 24/04/2020.*

2.2 OUTSTANDING AMOUNT AGAINST M/S HINDUSTAN UNILEVER LTD. (PP) - NU.0.084 MILLION

The FCBL had unsettled outstanding balance amounting to Nu.0.084 million against M/s Hindustan Unilever Ltd., India as on date of audit (21/06/2018) despite the discontinuation of business with the company since mid-2016. The non-adjustment of advance on time affects the overall business of the company and since the receivables do not bear any interests, the principal company had benefitted from the due in the form of soft loan. *AIN: 15416; Para: 1.3; Accountabilities: Direct: Tshoki Wangmo, Sr. Manager, CID # 10104001058, Supervisory: Sangay Wangdi, GM, CID # 11410005316.*

Status: *The observation was settled vide letter No.FCB/FAD/20/2020/377 dated.24/04/2020.*

1.3.5.14 KURICHU HYDROPOWER PLANT

During the year, the RAA conducted one audit of Kurichu Hydro Plant. There was one observation which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity was

reported in the AAR 2018.

The unresolved irregularity reported to the Parliament in June 2019 had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Corporation. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	-	-	-	100
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Mismanagement

There was a case of mismanagement as indicated below:

1.1 NON-PRODUCTION OF VEHICLE ACCIDENT REPORT

The Kurichu Hydropower Plant's pool vehicle bearing registration no. BG-4A-0285 had met with an accident on 14/02/2018. The vehicle was driven by the Superintendent Engineer during the time of accident. Though the case was reported to the Royal Bhutan Police, Gyalposhing, the management was yet to obtain the report. *AIN: 15565; Para: 1; Accountabilities: Direct: Dechen Namgyel, Superintending Engineer, CID # 10907000030; Supervisory: Dechen Namgyel, Superintending Engineer, CID # 10907000030.*

Status: *The observation was settled as per the Minutes of 2nd RAA Follow-up Committee Meeting held on 05/04/2019 as the cause of accident was established due to road condition and bad weather as per Police Report submitted to the RAA by Kurichu Hydro Project.*

1.3.5.15 NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

During the year, the RAA conducted two audits of Natural Resources Dev. Corporation Limited. There was one observation amounting to Nu.1.632 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.1.632 million.

The unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.1.632 million as summarised below.

Out of the total unresolved irregularities of Nu.1.632 million reported to the Parliament in June 2019, Nu.0.577 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Corporation. The unresolved significant irregularity of Nu.1.055 million as on 30 Sept. 2020 is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	1.632	0.577	1.055	35.36
	Total	1.632	0.577	1.055	

The details of unsettled irregularity reported to the Parliament in June 2019, the irregularity settled thereafter and the unsettled portion as on 30 Sept. 2020 is as discussed below:

1. Mismanagement - Nu.1.055 million

There was a case of mismanagement as indicated below:

1.1 OUTSTANDING DEBTORS - NU.1.632 MILLION

As on 31/12/2017, the Natural Resources Development Corporation Limited, Monggar had outstanding debtors of Nu.1.632 million against 14 parties. The non-realization of huge sundry debtors was due to non-compliance of the provisions envisaged in the Company's policies and guidelines, besides inadequate monitoring system.

The management reported of having forwarded two cases to the District Court for follow-up as under.

1. Indo Construction - Nu.0.274 million
2. Jigme, Sharangtse, F/wood - Nu.0.143 million

AIN: 15615; Para: 1; Accountabilities: Direct: Namcha Wangchuk, Accountant, EID # 4600312; Tandin Tshewang, FA, EID # 2820308; Choki Dorji, EID # 5600715; Gembo Dorji, Assistant Manager, EID # 1590801; Namgyal, AFO, EID # 1880102; Ugyen Phuntsho, FA, EID # 2810308; Thinley Jamtsho, Assistant Manager, EID # 5001112; Tshering Penjor, Manager, MPU, EID # 3440610; Supervisory: Tandin Wangchuk, EID # 2211202.

Status: *Observation partially settled. Out of the total amount of Nu.1.632 million; Nu.0.577 million was realized leaving a balance of Nu.1.054 million.*

1.3.5.16 STATE TRADING CORPORATION OF BHUTAN

During the year, the RAA conducted one audit of State Trading Corporation of Bhutan. There were four observations amounting to Nu.54.350 million of which two observations amounting to Nu.5.231 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.49.119 million.

The unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.49.119 million as summarised below.

Out of the total unresolved irregularities of Nu.49.119 million reported to the Parliament in June 2019, the Corporation had settled the irregularities of Nu.0.253 million as on 30 Sept. 2020. The details of the unresolved significant irregularities are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-Compliance to Laws and rules	0.325	0.253	0.072	77.85
2	Shortfalls, Lapses and Deficiencies	48.794	-	48.794	-
	Total	49.119	0.253	48.866	0.52

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules – Nu.0.072 million

There was a case of non-compliance to laws and rules amounting to Nu.0.325 million as indicated below:

1.1 UNCASHED CHEQUES AMOUNTING TO NU.0.325 MILLION

The State Trading Corporation of Bhutan (STCB) had uncashed cheques amounting to Nu.0.325 million lying unsettled and were not found revalidated as on date of audit (11/2017). The uncashed cheques pertained to the years 2014 to 2016. Accumulation of unencashed cheques had occurred due to non-compliance to Clause 5.2.14²⁵, Chapter V of the Financial Manual 2011. *AIN: 15048; Para: 4; Accountabilities: Direct: Sonam Palden, Manager (Finance), CID # 10706002399; Supervisory: Menuka Chhetri, Chief Finance Officer, CID # 21214000101.*

Status: *Observation partially settled. Out of Nu.0.325 million; Nu.0.253 million had been adjusted vide letter No.STCB/IAU/RAA/(IA-74)/2019/56 dated 13/12/2019 leaving a balance of Nu.0.072 million.*

2. Shortfalls, Lapses and Deficiencies – Nu.48.794 million

There was a case of shortfalls, lapses and deficiencies amounting to Nu.48.794 million as indicated below:

2.1 SUNDRY DEBTORS BALANCES - NU.48.794 MILLION

The STCB had not collected some of the cost of vehicles, vehicle spare parts, explosives and other items sold to the customers during the year 2014, 2015 and 2016. The non-collection of revenue on time had resulted in accumulation of sundry debtors amounting to Nu.48.794 million as on date of audit (11/2017). *AIN: 15048; Para: 2; Accountabilities: Direct: Bhawani Gotamey, Credit Officer, CID # 21801000098; Supervisory: Menuka Chhetri, Chief Finance Officer, CID # 21214000101.*

²⁵“A cheque issued against an account shall remain valid for six months. Such a cheque may be revalidated or replaced by issue of a fresh cheque”. - Clause 5.2.14, Chapter V of the Financial Manual 2011.

Status: *Observation not settled.*

1.3.5.17 TANGSIBJI HYDRO ENERGY LIMITED, TRONGSA

During the year, the RAA conducted one audit of Tangsibji Hydro Energy Limited. There were four observations amounting to Nu.1.413 million none of which was resolved prior to the compilation of

the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.413 million.

The unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.413 million as summarised below.

Out of the total unresolved irregularities of Nu.1.413 million reported to the Parliament in June 2019, the management had settled the amount as on 30 Sept. 2020. However, other irregularities under non-compliance and short falls and lapses without having monetary quantification remained unresolved. The unresolved significant irregularities are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	1.413	1.413	-	100
2	Non-compliance to Laws and Rules	-	-	-	-
3	Shortfalls, Lapses and Deficiencies	-	-	-	-
	Total	1.413	1.413	-	

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Mismanagement

There was a case of mismanagement amounting to Nu.1.413 million as indicated below:

1.1 NON-RECOVERY OF VARIATION COST FROM THE HINDUSTAN CONSTRUCTION COMPANY - NU.1.413 MILLION

The Tangsibji Hydro Energy Limited (THyE) had not recovered cost variation amounting to Nu.1.413 million from M/s Hindustan Construction Company Ltd. (HCCL) on account of laying of concrete pavement of 1.80 Km Access Road to Power House of 118 MW Nikachhu HPP, Trongsa, as on date of audit. Further, the THyE had not submitted the documents for payment of cost variation to the Board for approval as required in contract. The lapses had occurred due to omission of recovery/adjustment by the dealing accounts personnel. *AIN: 15489; Para: 2.2; Accountabilities: Direct: Thukten Dorji, JE (Civil), Infra, EID # 5010; Supervisory: Manju Gurung, AE-Infra, EID # 5155.*

Status: *The observation was settled as per letter No.THyE/MD/Finance/2019/30 dated 19/03/2019 as the amount had been recovered and adjusted from M/s HCC based on the adjustment/recoveries details furnished to the RAA.*

2. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules as indicated below:

2.1 AWARD OF WORK BY RELAXING THE BID CONDITIONS

The THyE had awarded a contract package (MP-1: Civil and Hydro-Mechanical works of Nikachhu Hydropower Project) amounting to Nu.4,288.930 million and €3.827 million to M/s HCCL, India by relaxing the bid conditions. Against the Eligibility and Qualification Criteria (EQC), sub-clause 2.6.1 of the bidding document which required bidders to demonstrate availability of specified equipment, and subsequent sub-clauses required proof of availability for deployment, the THyE reported that most of the equipment of M/s HCCL had exceeded the minimum age specified for each equipment.

However, without considering the eligibility clause, the contract was awarded to M/s HCCL on the condition that the contractor provide additional equipment.

Further, the additional performance guarantee required to be submitted by contractor due to abnormally lower rates quoted especially in the critical excavation activities was waived-off by the Board. Besides, the past record of the firm (*failure of the HRT gravel trap section and the restriction in the TRT that restricts the generation of 100/108 MW in the 126 MW Dagachhu Hydropower Project*) was not considered, and overall interest of the project was not seen to be protected.

Thus, the award of work without fulfilling the predetermined criteria and relaxing the requirement was not seen proper. *AIN: 15489; Para: 1.1; Accountabilities: Direct: Yeshi Wangchuk, Head, Headwork Division, EID # 5153; Tshering Zangpo, Head, HRT Division, EID # 5004; Sanga Jamtsho, Head, Power House Division, EID # 5041; Namgay Wangchuk, Head, QCD, EID # 5024; Supervisory: Karma Chhophel, Managing Director, EID # 5045; Sujan Rai, Dy. Managing Director, EID # 5056.*

Status: *Observation not settled. Follow-up report issued vide letter No.RAA/Bt/fus-01/2019/1041 dated 17/04/2020.*

3. Shortfall, Lapses and Deficiencies

There was a case of shortfalls, lapses and deficiencies as indicated below:

3.1 SUBSTANTIAL DELAYS IN MP-1 CONTRACT PACKAGE LEADING TO HUGE REVENUE LOSS AND ASSOCIATED COSTS

There was substantial delays in contract package 'MP-1: Civil and Hydro-Mechanical works of Nikachhu Hydropower Project' mainly due to contractor's poor performance with resultant financial implication of Nu.5,698.220 million. The causes for the delays, as reported to the THyE Board, were delay in commencement of works at all fronts by M/s HCCL, monsoon damages to the access roads which hampered the works, frequent breakdown of old equipment deployed by M/s HCCL and non-availability of spares for maintenance. As a consequence of the delays, substantial slippage of time had taken place with resultant revenue loss on account of generation and other associated costs amounting to Nu.5,698.22 million as worked out by the THyE management. *AIN: 15489; Para: 2.1; Accountabilities: Direct: Karma Chhophel, Managing Director, EID # 5024; Sujan Rai, Dy. Managing Director, EID # 5056; Supervisory: Karma Chhophel, Managing Director, EID # 5024; Sujan Rai, Dy. Managing Director, EID # 5056.*

Status: *Observation not settled.*

1.3.6 FINANCIAL INSTITUTIONS

1.3.6.1 BANK OF BHUTAN

During the year, the RAA conducted one audit of Bank of Bhutan. There were five observations none of which were resolved prior to the compilation of the draft AAR 2018. The significant irregularities were reported in the Draft AAR 2018.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the organization, three observations were resolved. The unresolved significant irregularities reflected in the AAR 2018 are as summarised below.

All the unresolved irregularity reported to the Parliament in June 2019 had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Bank. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
1.1	Gestation period exceeding the allowable limit	-	-	Settled
1.2	Sanctioning of loan more than the limit of Loan-to-Value (LTV)	-	-	Settled
	Total	-	-	-

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

1.1 GESTATION PERIOD EXCEEDING THE ALLOWABLE LIMIT

The project gestation period provided by the Bank of Bhutan for various loan products was not as per the maximum limit of the gestation period stipulated in the RMA's PR 2016. For some loans, the number of days provided as project gestation period had exceeded the maximum limit stipulated in the RMA's PR 2016; and for some, the gestation period was shorter than the maximum limit. The excess/shorter gestation period given by the financial institution was due to erroneous data entry of gestation period in the system. *AIN: 15148; Para: 7; Accountabilities: Direct: Tashi Tenzin, Head Credit, CID # 11606003127; Supervisory: Gopal Chhetri, Head, Risk and Compliance Division, CID # 10304001836.*

Status: *The observation was settled based on the justification given by the management vide letter No. 40/BOB-CEO/RAA/2019/07 dated 20.2.2019.*

1.2 SANCTIONING OF LOAN MORE THAN THE LIMIT OF LOAN-TO-VALUE (LTV)

As required by the Prudential Regulations, the Bank of Bhutan had issued a circular to regulate the 'Loan to Collateral Value' ratio of the commercial housing and home loan within the maximum of 75% of the estimated collateral value. However, without adhering to the LTV regulation, the BOBL had sanctioned credit facilities aggregating to Nu.3.364 million to several clients beyond the credit limits. *AIN: 15148; Para: 8; Accountabilities: Direct: Tashi Tenzin, Head Credit, CID # 11606003127; Supervisory: Gopal Chhetri, Head, Risk and Compliance Division, CID # 10304001836.*

Status: *The observation was settled since the check and balance mechanism was put in place which had been validated by the regulators and statutory auditors.*

1.3.6.2 NATIONAL PENSION AND PROVIDENT FUND

During the year, the RAA conducted one audit of National Pension & Provident Fund, Thimphu. There were three observations none of which were resolved prior to the compilation of the draft AAR 2018. The significant irregularities were reported in the Draft AAR 2018.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the organization, two observations were resolved. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

All the unresolved irregularity reported to the Parliament in June 2019 had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the NPPF. The details of the observation is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules as indicated below:

1.1 NON-FULFILMENT OF REQUIRED INDUSTRY KNOWLEDGE AND EXPERIENCE

The RMA's Prudential Regulations 2002 requires that "the composition of Board of Directors should be such that minimum two of the five directors must have more than five years' experience in banking, finance, insurance and other related business of the financial institutions". However, the Board of Directors of NPPF did not have the requisite experience and knowledge in the field of insurance, banking and other related business of the financial institutions. In absence of such experience, adding value to promote efficient functioning of the company and facilitating effective decision making by the Board was uncertain. *AIN: 15147; Para: 5; Accountabilities: Direct: Kinga Dema, Company Secretary, CID # 11410000103; Supervisory: Sonam Yeshey, Operation Director, CID # 11508000359.*

Status: *The observation was settled based on the response submitted by the management vide letter No. NPPF/CEO-01/2018/1900 dated 21.8.2018.*

1.3.6.3 ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

During the year, the RAA conducted one audit of Royal Insurance Corporation of Bhutan. There were 14 observations of which one observation was resolved prior to the compilation of the draft AAR 2018. The significant irregularities were reported in the Draft AAR 2018.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the organization, seven observations were resolved. The unresolved significant irregularities reflected in the AAR 2018 are as summarised below.

All the unresolved irregularity reported to the Parliament in June 2019 had been settled as on 30 Sept.

2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Corporation. The details of the observations areas summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
2	Shortfalls, Lapses and Deficiencies	-	-	-	100
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There were cases of non compliance to laws and rules as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
1.1	Sanctioning of credit facilities to significant owners beyond 10% limit	-	-	Settled
Set	Discrepancies in the interest computation	-	-	Settled
1.3	Enhancement of BLTERM1/2015/123 loan and observation thereof	-	-	Settled
1.4	Withdrawal from General Reserves without RMA's approval	-	-	Settled
	Total	-	-	-

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

1.1 SANCTIONING OF CREDIT FACILITIES TO SIGNIFICANT OWNERS BEYOND 10% LIMIT

The Prudential Regulations 2002 and other existing financial norms require that a financial institution shall not extend credit facilities to any of its significant owner beyond the maximum limit of 10% of the institution's capital fund. However, in 2015 the RICBL had sanctioned credit facilities of Nu.747.109 million equivalent to 32.93% of the institution's capital fund to M/s Tashi Group of Companies, which had exceeded the 10% maximum limit by Nu.520.234 million (22.93%). *AIN: 15149; Para: 7; Accountabilities: Direct: Namgyal Lhendrup, CEO, CID # 11704000003, Sonam Dorji, Executive Director, CID # 10711001789, Kinzang Dorji, CID # 11805002787, Jambay Wangchuk, CID # 11605001200, Tandi Wangchuk, CID # 11803001742, Jigme Namgyal, CID # 10716002056, Meto Seldon, CID # 11410001835, Dechen Dema, CID # 12008002292, Ugyen Lhamo, CID # 10903001253, Phuntsho Choden, CID # 10905002570, Thinley Choden, CID # 11604000681, Lungten Dala, CID # 10905004056, Jurme Chetsho, CID # 10603000910; Supervisory: Sonam Dorji, Executive Director, CID # 10711001789.*

Status: *The observation was settled based on the followup done by the subsequent audit team and the minutes of the meeting held with RAA and RICBL on 2.8.2019.*

1.2 DISCREPANCIES IN THE INTEREST COMPUTATION

The RICBL had discrepancies in the computation of interest on loans resulting in overcharging and undercharging interest to several clients. Based on the sample review of loan documents, it was noted that against the interest of Nu.0.371 million chargeable to 10 clients, the system had charged Nu.0.423 million with interest overcharge of Nu.0.052 million. On the other hand, two clients who were liable for interest of Nu.0.036 million were not charged any interest on their loans. Inappropriate computation of interest by the system had resulted in overcharging and non charging of interest to the clients. *AIN: 15149; Para: 11; Accountabilities: Direct: Padma Chettri, CID # 11302001350; Supervisory: Lungten, CID # 11102001954.*

Status: *The observation was settled based on the followup done by the subsequent audit team and the minutes of the meeting held with RAA and RICBL on 2.8.2019.*

1.3 ENHANCEMENT OF BLTERM1/2015/123 LOAN AND OBSERVATION THEREOF

Against the collateral land worth Nu.42.744 million, the RICBL had sanctioned multiple (seven) credit facilities aggregating to Nu.25.783 million to Mrs. Lobzang Choden, out of which four loans were non-performing loans with instalments due for more than three months. Those non-performing loans were liquidated by enhancing the loan account # BLTERM1/2015/123 to Nu.19.574 million from initial loan amount of Nu.5.000 million. The enhancement of the loan was not in compliant to the norms²⁶ of PR 2016. Further, the collateral land which should have been valued at Nu.1.906 million was instead valued at Nu.8.421 million with overvaluation by Nu.6.515 million, which had resulted in the increase in the risk of loan exposure. Additionally, based on the collateral value of Nu.41.946 million, the RICBL had sanctioned loan of Nu.39.127 million against the maximum eligible limit of Nu.28.523 million, resulting in sanction of excess loan by Nu.10.604 million to the client. The enhancement of loan and excess sanctioning of loan was mainly due to improper assessment of the client's loan account and improper decision of the management. *AIN: 15149; Para: 12; Accountabilities: Direct: Namgyal Lhendrup, CEO, CID # 11704000003, Sonam Dorji, Executive Director, CID # 10711001789, Kinzang Dorji, CID # 11805002787, Jambay Wangchuk, CID # 11605001200, Tandi Wangchuk, CID # 11803001742, Jigme Namgyal, CID # 10716002056, Meto Seldon, CID # 11410001835, Dechen Dema, CID # 12008002292, Ugyen Lhamo, CID # 10903001253, Phuntsho Choden, CID # 10905002570, Thinley Choden, CID # 11604000681, Lungten Dala, CID # 10905004056, Jurme Chetsho, CID # 10603000910; Supervisory: Tandin Wangchuk, 9907893.*

²⁶ As per the Section 4.5.5 of PR 2016, Granting of new loan for a non-performing account- "The financial institution shall, under no circumstances, sanction new or additional loans to a borrower, in order to regularize a non-performing loan account". Further, as per the Prudential Regulation on Enhancement of Term Loans/Overdrafts/Working Capital Advances (additional loan) - "Enhancement of loans may be considered, only if, the project or business under consideration is still under progress and yet to be completed. Financial institutions may grant such a facility, provided that the loan on the whole could be adequately serviced and sufficiently covered by collateral properties".

Status: *The observation was settled based on the followup done by the subsequent audit team and the minutes of the meeting held with RAA and RICBL on 2.8.2019.*

1.4 WITHDRAWAL FROM GENERAL RESERVES WITHOUT RMA'S APPROVAL

The PR 2002, Section 12, Clause 12.2 requires that, "in the event of a financial institution making any withdrawals from General Reserves or Share Premium Account, it must seek the RMA's approval". However, during the year 2014 and 2015 the RICBL had withdrawn Nu.240.000 million and Nu.720.000 million respectively from the General Reserve to issue Bonus Shares, for which the company had not obtained prior approval of the Royal Monetary Authority in violation of the PR 2002. *AIN: 15149; Para: 14; Accountabilities: Direct: Phub Dorji, Company Secretary, CID# 10802000041, Kinley Zangmo Dorji, CID # 11410003005; Supervisory: Namgyal Lhendrup, CEO, CID # 11704000003, Sonam Dorji, Executive Director, CID # 10711001789, Yeshe Jamtsho, General Manager, CID #*

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Status: The observation was settled based on the followup done by the subsequent audit team and the minutes of the meeting held with RAA and RICBL on 2.8.2019.

2. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
2.1	Discrepancies in payment of donations, gifts & presentations, business promotions	-	-	Settled
2.2	Overdue loans	-	-	Settled
	Total	-	-	-

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

2.1 DISCREPANCIES IN PAYMENT OF DONATIONS, GIFTS & PRESENTATIONS, BUSINESS PROMOTIONS

During the years 2015 and 2016, the RICBL had incurred expenditures of Nu.16.948 million and Nu.25.044 million on corporate social responsibilities (CSR) and donations, which was not guided by any written policies or guidelines. In absence of proper guidelines on CSR and donations, there was no basis to regulate the appropriateness of the expenditure, which could result in wastage of the company's resources. *AIN: 15149; Para: 15; Accountabilities: Direct: Tshewang Jigme, Head, HR & GAD, CID # 10709003104; Supervisory: Namgyal Lhendrup, CEO, CID # 11704000003, Sonam Dorji, Executive Director, CID # 10711001789, Kinzang Doji, General Manager, CID # 11805002787, Yeshe Jamtsho, General Manager, CID # 10711001985, Sangay Wangdi, General Manager, CID # 11908001068, Karma Sonam Tshering, General Manager, CID # 10201000201, Ugyen Tshewang, General Manager, CID # 10702001725.*

Status: The observation was settled based on the followup done by the subsequent audit team and the minutes of the meeting held with RAA and RICBL on 2.8.2019.

1.5 OVERDUE LOANS

As of 31 December 2017, the RICBL, Tsirang had outstanding loan aggregating to Nu.5.245 million (Principal + Interest) as defaulted loan repayments against seven clients. The overdue loans had unpaid instalments ranging from 04 to 18 instalments. The lapses had apparently occurred due to centralization of follow-up system with the Head Office which is recently decentralized to Branch Offices. *AIN: 15149; Para: 15; Accountabilities: Direct: Changa Lhamo, Branch Manager, EID # 114864; Supervisory: Changa Lhamo, Branch Manager, EID # 114864.*

Status: The observation was settled based on the followup done by the subsequent and the minutes of the meeting held with RAA and RICBL on 2.8.2019.

1.3.7 NON-GOVERNMENTAL ORGANISATIONS

1.3.7.1 BHUTAN CHAMBER OF COMMERCE AND INDUSTRY, THIMPHU

During the year, the RAA conducted one audit of Bhutan Chamber of Commerce and Industry, Thimphu. There were five observations amounting to Nu.4.221 million of which one observation amounting to Nu.0.005 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.4.216 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the organization, two observations amounting to Nu.1.914 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.2.302 million as summarised below.

Out of the total unresolved irregularities of Nu.2.302 million reported to the Parliament in June 2019, BCCI had settled Nu.0.715 million of irregularities as on 30 Sept. 2020. The unresolved significant irregularities are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	1.267	-	1.267	-
2	Shortfalls, Lapses and Deficiencies	1.035	0.715	0.320	69.08
	Total	2.302	0.715	1.587	31.06

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities resolved thereafter and unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules - Nu.1.267 million

There was a case of non-compliance to laws and rules amounting to Nu.1.267 million as indicated below:

1.1 OUTSTANDING STALL FEES FROM TRADE FAIRS - NU.1.267 MILLION

Every year the Bhutan Chamber of Commerce and Industry (BCCI) organizes trade fairs where the participants are charged fees for stall spaces provided to them. Stall fees amounting to Nu.2.736 million pertaining to the period from 2013 till 31 December 2017 had remained due as on 31/12/2017.

As of 31 March 2019, the agency had recovered Nu.1.469 million, leaving balance of Nu.1.267 million. *AIN: 15504; Para: 1; Accountabilities: Direct: Sarita Pradhan, Finance Officer, CID # 11803000755; Tshering Deki, Accounts Officer; CID # 10716000389; Jigme Wangchuk, Events Coordinator, CID #11515002600; Sonam Choden, Business Promotion Officer, CID # 11915000459; Supervisory: Yeshy Chen Lham, Head Research and Planning, CID # 10502000334; Chandra Bahadur Chhetri, Dy. Secretary General, GAD, CID # 11811000352.*

Status: *Observation not settled.*

2. Shortfalls, Lapses and Deficiencies - Nu.0.320 million

There was a case of shortfalls, lapses and deficiencies amounting to Nu.1.035 million as indicated

below:

2.1 UNJUSTIFIED ACCUMULATION OF ADVANCES - NU.1.035 MILLION

The BCCI had unadjusted advances amounting to Nu.1.035 million as on the date of audit (28/08/2018) for supply of goods and services out of which Nu.1.000 million pertained to GPP Bhutan and Nu.0.035 million pertained to M/s Dejung Norbu Enterprises. Non-adjustment of temporary advance for more than one fiscal year was not in compliant to clauses 4.1.3.2 (d) and (e) of the Finance & Accounting Manual 2016. *AIN: 15504; Para: 2; Accountabilities: Direct: Pelden Yeshe, Asstt. Accounts Officer, CID Card # 10907000150; Supervisory: Kesang Wangdi, Dy. Secretary General, CID # 11605001383.*

Status: *Observation partially settled. Out of Nu.1.035 million; Nu.0.715 million had been adjusted vide letter No.BCCI/GAD/AFD(Finance)/Audit/2020/123 dated 17/09/2020 leaving a balance of Nu.0.320 million.*

1.3.7.2 BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION

During the year, the RAA conducted two audits of Bhutan Trust Fund for Environmental Conservation. There were six observations amounting to Nu.3.285 million none of which were resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.3.285 million.

The unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.3.285 million as summarised below.

Out of the total unresolved irregularities of Nu.3.285 million reported to the Parliament in June 2019, all the irregularities had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the BT FEC. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	3.285	3.285	-	100
	Total	3.285	3.285	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies amounting to Nu.3.285 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
1.1	Funds used for ineligible expenses	0.637	0.637	-
1.2	Re-appropriation of funds without approval	2.541	2.541	-
1.3	No supporting documentation for expenses	0.107	0.107	-
	Total	3.285	3.285	-

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

1.1 FUNDS USED FOR INELIGIBLE EXPENSES - NU.0.637 MILLION

The Bhutan Trust Fund for Environmental Conservation (BT FEC) had instances where the Grantees had used fund aggregating to Nu.0.637 million for purposes which was not initially approved in the annual work plan. For instance, the Grantee (Department of Livestock, MoAF, Sertsam, Lhuentse) had used Nu.0.111 million for lease line connections for the project. The expenditure was however not included in the approved work plan and therefore, not approved by the BT FEC. Similarly, the Grantee had used the budget approved for *Activity 1.1.5: Purchase of Hatchery Equipment* to purchase office furniture worth Nu.0.526 million. In the absence approval of the Grantor (BT FEC), the expenditure was inappropriate. *AIN: 15654; Para: 2.1 & 2.2; Accountabilities: Direct: Tashi, Senior Livestock Production Supervisor, EID # 9808089; Supervisory: Tshewang Tashi, Senior Livestock Officer, EID # 9708016.*

Status: *The observation was settled based on the post-facto approval sought from the grantor vide letter No.BT FEC/PR67/2018-19/428 dated February 15, 2019.*

1.2 RE-APPROPRIATION OF FUNDS WITHOUT APPROVAL - NU.2.541 MILLION

The Grantee under Grant no. MB188Y117 (DFO, Thimphu) had few instances of re-appropriation of funds without approval from the BT FEC which had resulted in diversion of funds aggregating to Nu.2.541 million as under:

1. The approved grant budget of Nu.2.000 million provided by BT FEC for *Activity 1.4.3: Construction of two ESP quarters* was used for construction of water supply line;
2. *Activity 1.3.2: Procurement of materials for horticulture, forestry, field crops and other related works* included expenditure amounting to Nu.0.279 million incurred for the water supply line; and
3. *Activity 1.2.1: Procurement of materials (pipes, tank etc.)* included an expense of Nu.0.262 million incurred for purchase of fruit seeds from the National Soil Center.

Such unapproved re-appropriation had resulted in diversion of funds aggregating to Nu.2.541 million to activities that were not approved by the Grantor. *AIN: 15654; Para: 3.1, 3.2 & 3.3; Accountabilities: Direct: Tshering Dorji, Forestry Officer, EID # 200907272; Supervisory: Gyeltshen Drukpa, Chief Forestry Officer, EID # 9006165.*

Status: *The observation was settled based on the approval sought from the grantor vide letter No.BT FEC/PGM 7/2018-19/631 dated 28/6/2019.*

1.3 NO SUPPORTING DOCUMENTATION FOR EXPENSES OF NU.0.107 MILLION

The Grantee under Grant no. MB0156Y15 (RSPN) had not provided supporting documents for expenses amounting to Nu.0.107 million as a result of which the authenticity of the expenditure could not be ascertained. *AIN: 15654; Para: 1.1; Accountabilities: Direct: Rebecca Pradhan, Botanist, CID # 11410002347; Supervisory: Dr. Kinley Tenzin, Chief Executive Officer, CID # 12001000712.*

Status: *The observation was settled based on the ATR received vide letter No.BT FEC/Fin-7A/18-19/560 dated 23/05/2019.*

1.3.7.3 DRUK ODIYANA FOUNDATION

During the year, the RAA conducted one audit of Druk Odiyana Foundation. There were six observations amounting to Nu.19.603 million of which two observations amounting to Nu.6.723 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for

inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.12.880 million.

The unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.12.880 million as summarised below.

Out of the total unresolved irregularities of Nu.12.880 million reported to the Parliament in June 2019, the Foundation had settled Nu.3.450 million of irregularities as on 30 Sept. 2020. The details of the unresolved significant irregularities are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	9.430	-	9.430	-
2	Shortfalls, Lapses and Deficiencies	3.450	3.450	-	100
	Total	12.880	3.450	9.430	26.79

The details of unsettled irregularities reported to the Parliament in June 2019; the irregularities resolved thereafter and resolved ones as on 30 Sept. 2020 are as discussed below:

1. Mismanagement - Nu.9.430 million

There was a case of mismanagement amounting to Nu.9.430 million as indicated below:

1.1 IRREGULAR LENDING OF ODIYANA FUNDS TO PRIVATE INDIVIDUALS - NU.9.430 MILLION

The Druk Odiyana Foundation had lent amount of Nu.12.430 million to private individuals out of which Nu.3.000 million was deposited into the Foundation's account, leaving balance of Nu.9.430 million as on 31 March 2019. The lending of funds of the Foundation to individuals was irregular and not within the scope of activities of the Foundation. *AIN: 15314; Para: 2; Accountabilities: Direct: Tshewang Penjor, Finance Officer, CID # 11407000895; Supervisory: Khenpo Gyeltshen, Drawing & Disbursing Officer/Treasurer, CID # 10607002107.*

Status: *Observation not settled. The Druk Odiyana Foundation reported that the case has been forwarded to court and currently the case is on appeal with the Supreme Court by the Late Sangay Tenzin's daughter as per the follow-up conducted by the audit during the audit of financial year 2018 to 2019.*

2. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies amounting to Nu.3.450 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
2.1	Excess payment to Contractor, Shambu Baraili	1.800	1.800	-
2.2	Non-recovery of Sale Proceeds of Road Roller	1.600	1.600	-
2.3	Outstanding Advances	0.050	0.050	-
	Total	3.450	3.450	-

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

1.1 EXCESS PAYMENT TO CONTRACTOR - NU.1.800 MILLION

The Druk Odiyana Foundation had made excess payment of Nu.1.800 million to the contractor, Shambu Baraili, a resident of Nepal, who had undertaken Copper Carving works in the construction of Guru Statue in Takila. The payment of Nu.1.800 million was made initially as the first RA bill, and the same was also included in the second RA bill due to improper verification of the bills/oversight from the accounts section. *AIN: 15314; Para: 5; Accountabilities: Direct: Tshewang Penjor, Finance Officer, CID # 11407000895; Supervisory: Khenpo Gyeltshen, Drawing & Disbursing Officer/Treasurer, CID # 10607002107.*

Status: *The observation was settled based on the follow-up conducted by the subsequent audit team as the amount was reported adjusted.*

1.2 NON-RECOVERY OF SALE PROCEEDS OF ROAD ROLLER - NU.1.600 MILLION

The Druk Odiyana Foundation had sold its Road Roller to a contractor (M/s Tshewang Choden, holding CID # 10605004104) for Nu.1.600 million, which however had remained unrealized as on 31 March 2019. *AIN: 15314; Para: 3; Accountabilities: Direct: Tshewang Penjor, Finance Officer, CID # 11407000895; Supervisory: Khenpo Gyeltshen, Drawing & Disbursing Officer/Treasurer, CID # 10607002107.*

Status: *The observation was settled based on the follow up report submitted by the subsequent audit team as the management had taken back the Road Roller and disposed off with required formalities.*

1.3 OUTSTANDING ADVANCES - NU.0.050 MILLION

The Druk Odiyana Foundation had total outstanding advances amounting to Nu.4.677 million out of which Nu.4.627 million was recovered, leaving balance of Nu.0.050 million against Mr. Nidup Gyeltshen as of 31 March 2019. *AIN: 15314; Para: 1; Accountabilities: Direct: Tshewang Penjor, Finance Officer, CID # 11407000895; Supervisory: Khenpo Gyeltshen, Drawing & Disbursing Officer/Treasurer, CID # 10607002107.*

Status: *The observation was settled as all the advances were liquidated.*

1.3.7.4 HANDICRAFT ASSOCIATION OF BHUTAN

During the year, the RAA conducted one audit of Handicraft Association of Bhutan. There was one observation which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity was reported in the AAR 2018.

The unresolved irregularity reported to the Parliament in June 2019 had been not been settled as on 30 Sept. 2020. The unresolved significant irregularities is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	-
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which remained unsettled as on 30 Sept. 2020 is as discussed below:

1. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules as indicated below:

1.1 NON-ADHERENCE TO THE PROVISIONS OF CSO ACT 2007

The Handicraft Association of Bhutan (HAB) had not conducted board meetings as per Section 57 of the Civil Society Organization Act, 2007 which required CSO to hold Board meetings at least once every three months. The HAB had not conducted any Board meeting in 2012, two in 2013, one in 2014, and three in 2015 against the required four Board meetings each year. *AIN: 15153; Para: 1; Accountabilities: Direct: Chorten Dorji, Executive Director, CID # 11608000263; Supervisory: Ten Dorji, President, CID # 116080001472.*

Status: *Observation not settled.*

1.3.7.5 HINDU DHARMA SAMUDAYA OF BHUTAN

During the year, the RAA conducted one audit of Hindu Dharma Samudaya. There were seven observations amounting to Nu.4.221 million of which two observations amounting to Nu.0.045 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.4.176 million.

The unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.4.176 million as summarised below.

Out of the total unresolved irregularities of Nu.4.176 million reported to the Parliament in June 2019, all the amount had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Agency. However, one irregularity under shortfalls, lapses and deficiencies remained unresolved as on 30 Sept. 2020 as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Mismanagement	-	-	-	100
2	Non-compliance to Laws and Rules	1.596	1.596	-	100
3	Shortfalls, Lapses and Deficiencies	2.580	2.580	-	100
	Total	4.176	4.176	-	

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Mismanagement

There was a case of mismanagement as indicated below:

1.1 PAYMENT FOR SUPPLY AND INSTALLATION OF STATUES

The Hindu Dharma Samudaya of Bhutan (HDSB) had paid the entire contract price of Nu.4.894 million to M/s Nana Enterprises for supply and installation of the statues of Hindu Gods and Goddesses without fulfilling the contract obligation of installing them. The HDSB had accepted the supply of the

status and released full payment as the Mandir at Kuenselphodrang was not ready at the time of supply. *AIN: 15170; Para: 5; Accountabilities: Direct: Ajit Ghalley, CID # 11213002049; Supervisory: R. K. Chhetri, CID # 11204000173.*

Status: *The observation was settled based on the justification furnished vide letter No.HDSB/Audit-17/2018-19/534 dated 18/6/2019.*

2. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules amounting to Nu.1.596 million as indicated below:

2.1 INAPPROPRIATE DESIGN OF CRM BREAST-WALL, COSTING NU.1.596 MILLION

The site development works at Mandir at Kuenselphodrang included the construction of CRM wall amounting to Nu.1.596 million along the south-western side of the main temple to stop the loose soil from falling on the site. Poor design of the CRM wall and lack of supervision of work had resulted in collapse of a portion of the wall reducing its strength and posing risk to the visitors. *AIN: 15170; Para: 6; Accountabilities: Direct: Ajit Ghalley, CID # 11213002049; Supervisory: R. K. Chhetri, CID # 11204000173.*

Status: *The observation was settled based on the action taken report submitted vide letter No. HDSB/Audit-17/2018-19/534 dated 18/6/2019.*

3. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies amounting to Nu.2.580 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
3.1	Missing Money Receipt Booklets	-	-	Settled
3.2	Missing supporting documents for Akhanda Mahayagya 2017 at Samtse	2.580	2.580	-
3.3	Unexplained Discrepancies in the deposit of the donation collected at Samtse	-	-	Unsettled
Total		2.580	2.580	-

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

3.1 MISSING MONEY RECEIPT BOOKLETS

The HDSB had printed 100 money receipt booklets out of which two booklets issued to Hari Suberi and one to Jiwan Siwakoti were missing. Collections made through the issue of the above two booklets if any could not be ascertained. The management had not made any public announcement about the loss of the booklets in the media as required by Section 4.5, Chapter IV of the Financial Manual of HDSB 2010. *AIN: 15170; Para: 1; Accountabilities: Direct: Hari Suberi, Dagana, CID # 20304000077, Jiwan Siwakoti, CID # 11808000221; Supervisory: Pundit Bhakti Ram Rizal, CID # 11103000186.*

Status: *The observation was settled after making public announcement in Kuensel dated 13/4/2019 regarding the missing money receipt books and as no out come received even after the public announcement.*

3.2 MISSING SUPPORTING DOCUMENTS FOR NU.2.580 MILLION ON AKHANDA MAHAYAGYA 2017 AT SAMTSE

The HDSB had conducted Akhanda Mahayagya at Suthir Theswar Mahadev Shivalya Mandir at Samtse for which the total expenditure as per the financial statement amounted to Nu.2.580 million. The HDSB had not made available the supporting documents of the expenditure incurred for the event in absence of which the RAA could not ascertain its completeness. *AIN: 15170; Para: 2; Accountabilities: Direct: Jiwan Siwakoti, CID # 11808000221; Supervisory: Pundit Bhakti Ram Rizal, CID # 11103000186.*

Status: *The observation was settled based on the original bills produced to RAA vide letter No,HDSB/Audit-17/2019-20/638 dated 14/10/2019 substantiating the expenditure incurred and duly verified by the RAA.*

3.3 UNEXPLAINED DISCREPANCIES IN THE DEPOSIT OF DONATIONS COLLECTED AT SAMTSE

The HDSB had unexplained discrepancies amounting to Nu.0.109 million in the deposit of religious donations collected in Samtse which included:

- i) donations amounting to Nu.0.057 million that was not recorded (as receipts) in the Bank Statement;
- ii) overwriting on bank deposit slips of Nu.0.041 million where the amounts differed from those recorded in the Bank Statement; and
- iii) a cheque of Nu.0.011 million that was recorded (as deposits) twice in the Bank Statement.

AIN: 15170; Para: 3; Accountabilities: Direct: Jiwan Siwakoti, CID # 11808000221; Supervisory: Pundit Bhakti Ram Rizal, CID # 11103000186.

Status: *Observation not settled.*

1.3.7.6 PHUENTSHOLING SPORTS ASSOCIATION

During the year, the RAA conducted one audit of Phuentsholing Sports Association. There were two observations none of which were resolved prior to the compilation of the draft AAR 2018. The significant irregularities were reported in the draft AAR 2018.

The unresolved significant irregularities reflected in the AAR 2018 are as summarised below.

All the unresolved irregularities reported to the Parliament in June 2019 had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Association. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
2	Shortfalls, Lapses and Deficiencies	-	-	-	100
	Total	-	-	-	

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules as indicated below:

1.1 DEFECTIVE WORK IN CONSTRUCTION OF ARTIFICIAL TURF

The Phentsholing Sports Association (PSA) had defective work in the laying of astro-turf undertaken by M/s Acosa Sport Infrastructures Services, Mumbai, India. Rainwater collected on the artificial turf did not sink through instantly but remained stagnant on the surface of the ground causing inconveniences to players and affecting the lifespan of the turf in the long-run. The PSA had reported the defect to BOC and even after rectification by the contractor the problem of water pooling in some areas of the playground still persisted, which indicated the contractor's poor workmanship and inadequate supervision and monitoring by the site engineer. *AIN: 15596; Para: 1; Accountabilities: Direct: Gyem Tshering, General Secretary, CID # 11407002222; Supervisory: Gyem Tshering, General Secretary, CID # 11407002222.*

Status: *The observation was settled vide letter No.RAA/OAAG-Pling/PSA-C46/2019/203 dated.10/04/2019.*

2. Shortfalls, Lapses and Deficiencies

There was a case of shortfalls, lapses and deficiencies as indicated below:

2.1 IMPROPER MAINTENANCE OF RECORDS

The PSA had not maintained proper books of accounts. The bills/invoices were directly booked as expenditures without preparing payment vouchers and the transactions were subsequently transferred into ledgers/sub-ledgers where expenditures could not be traced. Such practices were not in line with the existing financial norms. Further, the PSA had not maintained any cash book to record the entity's financial activities such as the details of collection made and expenditure incurred. The lapses had occurred mainly due to lack of trained accounts personnel and proper accounting procedures in place. *AIN: 15596; Para: 2; Accountabilities: Direct: Kinzang Jamtsho, Accountant, CID # 11512001725; Supervisory: Gyem Tshering, General Secretary, CID # 11407002222.*

Status: *The observation was settled vide letter No.RAA/OAAG-Pling/PSA-C46/2019/203 dated.10/04/2019.*

1.4. AUDIT REPORT ON JOINT AUDITS OF HYDROPOWER PROJECTS

The RAA had undertaken three Joint Audits of Hydro Power Projects of Punatsangchhu-I Hydroelectric Project Authority, Punatsangchhu-II Hydroelectric Project Authority and Mangdechhu Hydroelectric Project Authority during 2018. The audits were conducted as per the Standard Operating Procedures signed between the RAA and the Comptroller and Auditor General of India and the Projects Agreement signed between the Royal Government of Bhutan and the Government of India.

The AAR 2018 includes only the unresolved significant audit observations of Punatsangchhu-I Hydroelectric Project Authority, Punatsangchhu-II Hydroelectric Project Authority and Mangdechhu Hydroelectric Project Authority.

1.4.1 MANGDECHHU HYDROELECTRIC PROJECT AUTHORITY

During the year, the RAA had issued one audit report of the Mangdechhu Hydroelectric Project Authority (MHPA). There were 11 observations amounting to Nu.1,412.894 million none of which were resolved prior to the compilation of the draft AAR 2018. The total unresolved significant irregularities reflected in the draft AAR 2018 amounted to Nu.1,412.894 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the project authority, four observations amounting to Nu.1,304.899 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.107.995 million as summarised below.

Out of the total unresolved irregularities of Nu.107.995 million reported to the Parliament in June 2019, all the irregularities had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Project Authority. The details of the observations are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	1.996	1.996	-	100
2	Shortfalls, Lapses and Deficiencies	105.999	105.999	-	100
	Total	107.995	107.995	-	100

The details of unsettled irregularities reported to the Parliament in June 2019 which had been settled as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules amounting to Nu.1.996 million as indicated below:

1.1 NON-RECOVERY OF NU.1.996 MILLION FROM CONTRACTOR FOR DAMAGED WORK IN CLADDING WALL IN C-1 PACKAGE

The Cladding Wall below the Power Intake was provided with M60 grade concrete so as to support the rock foundation below the Intake structure. The Cladding Wall should have enough abrasion resistance at the exposed surface so that it will stand firm in sediment loaded water from the reservoir without causing its own erosion during operational phase.

The MHPA, having found that the M60 grade concrete was not as per the required strength, instructed the contractor to rectify it otherwise, the cost of 380 cubic metre of M60A20 grade concrete (BOQ Item No A9. 10 & Rate Nu.5,250 per cum) amounting to Nu.1.996 million would be recovered from Contactor's RA bills. However, as on the date of audit the contractor had not initiated any measures to rectify the defective work nor had MHPA recovered its cost from the contractor. *AIN: 15455; Para: 11; Accountabilities: Direct: Akhilesh Kumar, CE, WP # 1717030171044056; Supervisory: Raj Kumar Chaudhary, D (T), WP # 171703277521100.*

Status: *The observation was settled vide review report No.RAA(05)RTICD/MHEP/2019/2711 dated 06/11/2019 based on the justification furnished by the management.*

2. Shortfall, Lapses and Deficiencies

There were cases of shortfall, lapses and deficiencies amounting to Nu.105.999 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu.in Million
2.1	Excess payment made to the contractors on account of rate analysis by including interest on machineries provided by MHPA	19.236	19.236	-
2.2	Irregular payment of Nu.28.610 million for consultancy charges to NHPC	28.610	28.610	-
2.3	Excess payment of Nu.26.720 million for compression scheme in C-1 package	26.720	26.720	-
2.4	Extra payment of Nu.13.756 million towards royalty charges to contractor in C-1 package	13.756	13.756	-
2.5	Higher linking factor leading to excess payment of Nu.8.968 million in price adjustment in C-1 package	8.968	8.968	-
2.6	Extra payment of Nu.8.709 million to contractor due to adoption of incorrect base month in extra/deviated items in C-1 package	8.709	8.709	-
	Total	105.999	105.999	-

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

2.1 EXCESS PAYMENT MADE TO THE CONTRACTORS ON ACCOUNT OF RATE ANALYSIS BY INCLUDING INTEREST ON MACHINERIES PROVIDED BY MHPA - NU.19.236 MILLION

The MHPA had considered the Interest on Capital Investment on 100% of the book value of the Construction Equipment for analysis of rate for deviated items, despite the contractors being provided with interest free advances and machinery. Thus, MHPA had made excess payment amounting to Nu.19.236 million on account of interest on capital investment even for those equipment supplied by the Project and on the interest free advances provided to procure the equipment to the contractor of packages C-1 and C-2.

Applying uniform interest rates for the purpose of analyzing rates even for those equipment provided by the Project and the equipment purchased by the contractors from the interest free advances was not found proper. *AIN: 15455; Para: 2; Accountabilities: Direct: Akhilesh Kumar, CE, WP # 1717030171044056; Sachindra Nath Jha, CE, WP # 171701011571545; Kaushik Maulik, CE, WP # 171703011566934; Supervisory A.K. Mishra, MD, WP # 1717030021031673; Raj Kumar Chaudhary, D(T), WP # 171703277521100.*

Status: *The observation was settled vide letter No.RAA/OAAG-Pling/PSA-C46/2019/203 dated 10/04/2019.*

2.2 IRREGULAR PAYMENT OF NU.28.610 MILLION FOR CONSULTANCY CHARGES TO NHPC

The Project had allowed its design and engineering consultant, M/s NHPC to revise man-days rate ranging from 58-66% instead of the eligible 15%. Thus, due to consideration of pay revision in excess of GoI norms, the Project had paid an excess amount of Nu.28.610 million on account of consultancy charges to M/s NHPC during the period starting April to December 2017. *AIN: 15455; Para: 5; Accountabilities: Direct: Raj Kumar Chaudhary, D (T), WP # 171703277521100; Supervisory: A.K Mishra, MD, WP # 1717030021031673.*

Status: *The observation was settled during the review conducted by the audit team & the follow-up report issued vide RAA/AR(05) RTICD/_MHEP/2019/2711 dated 6/11/2019.*

2.3 EXCESS PAYMENT OF NU.26.720 MILLION FOR COMPRESSION SCHEME IN C-1 PACKAGE

The MHPA had made excess payment of Nu.26.720 million for engaging extra manpower for completion of work - radial gates and pressure shafts. To calculate the cost of extra manpower, the MHPA had deducted the cost of BOQ manpower for 6 months and 18 months instead of 9 and 26 months respectively. Thus, due to short-deduction of manpower cost included in BOQ, the MHPA had incurred extra payment of Nu.26.720 million for the compression scheme. *AIN: 15455; Para: 6; Accountabilities: Direct: Akhilesh Kumar, CE, WP # 1717030171044056; Supervisory: Raj Kumar Chaudhary, D (T), WP # 171703277521100.*

Status: *The observation was during the review conducted by the audit team & the follow-up report issued vide RAA/AR(05) RTICD/_MHEP/2019/2711 dated 6/11/2019.*

2.4 EXTRA PAYMENT OF NU.13.756 MILLION TOWARDS ROYALTY CHARGES TO CONTRACTOR IN C-1 PACKAGE

The MHPA had made extra payment amounting to Nu.13.756 million to M/s Jaiprakash & Associates Ltd. on account of concrete work for deviated quantity in M15A40 (Item-A9.1) and extra work in M25A40 for cladding wall under C-1 package. The contract envisaged that cost of royalty²⁷ on stone boulder be allowed to the contractor in arriving at the unit rate of the aggregate. The cost of royalty on stone boulder collected from dumping yard was taken as Nu.116.88 per cum which was 1770.10% more than the prevalent rate of Nu.6.25 per cum (Nu.50/8 cum) of the RGoB. The adoption of higher rates for royalty during rate analysis had resulted in overvaluing the cost (analysed rates) of cement, which consequently had resulted in the excess payment of Nu.13.756 million to the contractor. *AIN: 15455; Para: 8; Accountabilities: Direct: Akhilesh Kumar, CE, WP # 1717030171044056; Supervisory: Raj Kumar Chaudhary, D (T), WP # 171703277521100.*

²⁷Rate of Royalty Nu.50.00 per truck load of 8 m³

Status: *The observation was settled as the entire amount was resolved as verified during the review meeting held on 7/5/2020 to 15/5/2020.*

2.5 HIGHER LINKING FACTOR LEADING TO EXCESS PAYMENT OF NU.8.968 MILLION IN PRICE ADJUSTMENT IN C-1 PACKAGE

The MHPA had considered higher value linking factor for price adjustment by taking short interval data instead of comprehensive data, resulting in extra payment of Nu.8.968 million to the contractor of C-1 package. The MHPA computed the average index based on short period of three months though data for 60 months (since April 2012 to March 2017) was available. The linking factor fixed by MHPA was in higher side than the linking factor arrived after taking the data in totality, due to which excess payment of Nu.8.968 was incurred on account of price adjustments in C-1 package. *AIN: 15455; Para: 9; Accountabilities: Direct: Akhilesh Kumar, CE, WP # 1717030171044056; Supervisory: Raj Kumar Chaudhary, D (T), WP # 171703277521100.*

Status: *The observation was settled during the review conducted by the audit team & the follow-up report issued vide RAA/AR(05) RTICD/_MHEP/2019/2711 dated 6/11/2019.*

2.6 EXTRA PAYMENT OF NU.8.709 MILLION TO CONTRACTOR DUE TO ADOPTION OF INCORRECT BASE MONTH IN EXTRA/DEVIATED ITEMS IN C-1 PACKAGE

The MHPA had made extra payment amounting to Nu.8.709 to M/s Jaiprakash & Associates Ltd. due to adoption of incorrect base month for calculating the cost of extra items. In contravention to the contractual provisions, the MHPA had computed the amount of price variation by taking the base

rate of previous month instead of the index prevalent at the month of computation of analysed rates, thus resulting in excess payment to the tune of Nu.8.709 million to the contractor of C-1 package. *AIN: 15455; Para: 10; Accountabilities: Direct: Akhilesh Kumar, CE, WP # 1717030171044056; Supervisory: Raj Kumar Chaudhary, D (T), WP # 171703277521100.*

Status: *The observation was settled during the review conducted by the audit team & the follow-up report issued vide RAA/AR(05) RTICD/_MHEP/2019/2711 dated 6/11/2019.*

1.4.2 PUNATSANGCHHU-I HYDROELECTRIC PROJECT AUTHORITY

During the year, the RAA had issued one audit report of the Punatsangchhu-I Hydroelectric Project Authority. There were 11 observations amounting to Nu.3,830.948 million of one observation amounting to Nu.0.027 million did not qualify for inclusion in the draft AAR 2018. The total unresolved significant irregularities reflected in the Draft AAR 2018 Nu.3,830.921 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the project authority, four observations amounting to Nu.2,824.008 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1,006.913 million as summarised below.

Out of the total unresolved irregularities of Nu.1,006.913 million reported to the Parliament in June 2019, Nu.576.145 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Project Authority. The unresolved significant irregularities amounting to Nu.430.768 million as on 30 Sept. 2020 is as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	480.992	480.992	-	100
2	Shortfalls, Lapses and Deficiencies	525.921	95.153	430.768	18.09
	Total	1,006.913	576.145	430.768	57.22

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules involving Nu.480.992 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
1.1	Incorrect computation of labour wages in MC-I Package resulted in overpayment	308.590	308.590	-
1.2	Reimbursement of central excise duty	120.152	120.152	-
1.3	Incorrect rate analysis for cement for MC-I Package lead to excess	52.250	52.250	-
	Total	480.992	480.992	-

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

1.1 INCORRECT COMPUTATION OF LABOUR WAGES IN MC-I PACKAGE RESULTED IN OVERPAYMENT - NU.308.59 MILLION

The PHPA-I had made overpayment of Nu.308.590 million to contractor due to incorrect computation of labour wages in the contract of MC-I package. The CwC guidelines and terms of contract provided for determining the extra and deviated item rate to be calculated on the basis of actual analyzed cost of materials, cost of operation of machineries and wages of labour, which took into consideration 80% (skilled) & 55% (unskilled) cost of labour component while analyzing the rate. This provision was expected to cover the fringe benefits and other indirect/incidental expenses by the Contractor.

However, test check of analysis of rate of labour component revealed that the PHPA-I considered net wages of July-2009 instead of basic wages while computing the hourly rate of labour component in deviated and extra items and allowed indirect charges on net wages, in contravention to the CwC guidelines. The analysis of rates for 12 deviated items by the RAA revealed that the rate analysed by PHPA-I had considered net wages instead of basic wages and there were an average overestimation of labour hourly rate by 8.83% resulting in an excess payment of Nu.135.14 million in respect of the above deviated and extra items.

Moreover, the Project had considered 30% labour component while computing escalation for the contract of MC-I Package and the same percentage was found applied while making escalation payment in respect of approved deviated items and approved extra items.

The contractor was found paid (a) Nu.7,793.030 million and (b) Nu.3,856.400 million up to the 98th RA Bill with resultant excess payment of approximately Nu.308.590 million as calculated below:

Deviated Amount (A)	Extra Amount (B)	Total (C = A+B)	Labour Amount (30% of C)	Percentage of Excess Wages (D)	Total (C-D)
7,793.03	3,856.40	11,649.43	3,494.83	8.83%	308.59
<i>Nu. in Million</i>					

AIN: 15583; Para: 6; Accountabilities: Direct: J.S. Bajwa, EIC (Dam), EID # 1789, WP # 191907011552844; Sonam Chofel, SE (Contracts), EID # 1171, CID # 10711001402; Supervisory: R.P. Sharma, Director (Technical), EID # 1002, WP # 191906277588184.

Status: *The observation was settled based on the bi-lateral meeting held between RAA & PHPA I on 14/10/2019 at Bjimethangka.*

1.2 REIMBURSEMENT OF CENTRAL EXCISE DUTY - NU.120.152 MILLION

The PHPA-I had made reimbursement of Central Excise Duty (CED) amounting to Nu.120.152 million to the contractors during the period from January 2010 to August 2017 for cases where the materials were imported from India by the contractor on payment of CED. The project had reimbursed the same in violation to the spirit of the Bilateral Agreement²⁸ between the Agreement on Trade, Commerce and Transit between the Government of India (GoI) and the Royal Government of Bhutan (RGoB).

In addition, the PHPA-I had included a clause in the contract agreements, permitting claim of reimbursement of excise duty from the PHPA by the contractor in case the exemption from duty at source is not available and that, in turn the Authority would seek refund from GoI. However, the Bilateral Agreement on the project does not provide for any such reimbursement of CED by the Project Authority and refund of the same by the GoI to the project authority.

Further, the PHPA-I had continued to reimburse CED even after it was categorically stated that

reimbursement of CED would not be available neither from RGoB nor from GoI as the same would only be available at the source during meeting with the Secretaries of Ministry of Economic Affairs, Ministry of Finance, RGoB with the PHPA and other hydroelectric projects on 07.05.2014. The reimbursement of CED was an extra expenditure and burden to the project account. *AIN: 15583; Para: 9; Accountabilities: Direct: Arun Goyal, EIC (Gen), EID # 1471, WP # 191907013588110; J.S. Bajwa, EIC (Dam), EID 1789, WP # 191907011552844; Kuenga Gyeltshen, EIC (PH), EID # 1937, CID # 10308002759; Rinzin Wangchuk, Sr. FO, EID # 1151, CID # 10708001829; Supervisory: Dorji Pavo Phuntshok, JMD, EID # 1001, CI # 11510004119; Pranav Kumar Mallick, Director (Finance), EID # 1003, WP # 1919072771100457; R.P. Sharma, Director (Technical), EID # 1002, WP # 191906277588184.*

28 Article VIII of the Bilateral Agreement stipulates that the two Government would provide appropriate refund to be mutually decided annually in respect of excise duties on goods of its origin exported to the other. As per Article 3 of the Bilateral Agreement between GoI and RGoB on the PHPA-I, the GoI shall provide funds for financing of the Project. Again, as per Article 11(4) of the same Agreement on the project, the GoI shall exempt from Central Excise Duty any material/equipment exported to Bhutan for the Project.

Status: *The observation was settled vide PHPA-I/M-20/2019/1738 dated 13/03/19 and as the same observation had already existed under observation 9b of the report.*

1.3 INCORRECT RATE ANALYSIS FOR CEMENT FOR MC-I PACKAGE LED TO EXCESS PAYMENT - NU.52.250 MILLION

The PHPA-I had made excess payment of Nu.52.250 million to contractor due to incorrect rate analysis for cement for Contract Package MC-I. For preparation of project estimates for river valley projects, the CwC guidelines provides for wastage allowance and incidental works to take up to 5% of quantities in case of cement works for the analysis of rates on all accounts including handling, short weight, losses in storage etc.

Test check of records revealed that PHPA-I conducted rate analysis for deviated items in April 2014 in which cost of Portland Pozzolana Cement (PPC) was taken as Nu.4,534.64. The Project added 5% for wastage to the cost of PPC at store in April 2014. However, it was noticed that the said rate of cement (i.e., Nu.4,534.64) had been arrived at by PHPA-I at de-escalated rate in July 2009, which already includes storage and handling charges (Nu.177.71 per MT). The Project had provided additional 3% for storage and handling charges extending undue extra benefit to the contractor. The PHPA had also considered 15% cement component for computing escalation payment in respect of approved deviated items and approved extra items with resultant total excess payment of approximately Nu.52.250 million. *AIN: 15583; Para: 7; Accountabilities: Direct: J.S. Bajwa, EIC (Dam), EID # 1789, WP # 191907011552844; Sonam Chofel, SE (Contracts), EID # 1171, CID # 10711001402; Supervisory: R.P. Sharma, Director (Technical), EID # 1002, WP # 191906277588184.*

Status: *The observation was settled based on the bi-lateral meeting held between RAA & PHPA I chaired by Hon'ble Auditor General on 14/10/2019 at Bjimethangka.*

2. Shortfalls, Lapses and Deficiencies – Nu.430.768 million

There were cases of shortfalls, lapses and deficiencies involving Nu.525.921 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
2.1	Avoidable payment on account of analysed rate	430.768	-	430.768
2.2	Excess payment due to unauthorized change of base index of WPI series from 1993-94 to 2004-05 for price adjustment	40.930	40.930	-
2.3	Irregular payment of Pay Arrear to WAPCOS	36.000	36.000	-
2.4	Irregular payment of arrear of BCA	18.223	18.223	-
2.5	Slope movement and stabilization works on right bank of dam site leading to excessive time and cost overrun	-	-	Settled
Total		525.921	95.153	430.768

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

2.1 AVOIDABLE PAYMENT ON ACCOUNT OF ANALYSED RATE - NU.430.768 MILLION

The PHPA-I had failed to invoke Clauses 51 and 52, provisions/terms of the contract for Package MC-3 with regard to revision of rates for deviation in quantities of items of works by +/- 30% than the quantities provided in the Bill of Quantities. As per the terms of contract, it was also agreed that the payments for deviated items would be continued to be made at the original rate till the revised or analyzed rate is decided.

However, the Project Manager of M/s HCCL had not submitted the rate analysis statement for items of works with deviated quantities and instead had submitted an undertaking letter accepting that, for quantities of items of work in deviation to the BoQ by more than 30% to be paid at BoQ rates with price escalations as per clause 70 of the GCC, and had also agreed to adjust the rates for quantities of items of work in deviation to the BoQ by less than 30% to be adjusted at the time of settlement of final bill. Despite having received the undertaking letter from M/s HCCL, accepting to pay for deviated quantities of items of works at BOQ Rates with Price Adjustment, the rates were found revised and paid at higher rates with a resultant financial implication of Nu.430.768 million. *AIN: 15583; Para: A2; Accountabilities: Direct: Shankar Dey, Project Manager, HCCL, WP # 30301017614300; Supervisory: R.P. Sharma, Director (Technical), EID # 1002, WP # 191906277588184.*

Status: Observation not settled.

2.2 EXCESS PAYMENT DUE TO UNAUTHORIZED CHANGE OF BASE INDEX OF WPI SERIES FROM 1993-94 TO 2004-05 FOR PRICE ADJUSTMENT - NU.40.930 MILLION

The PHPA-I had made excess payment of Nu.40.930 million to M/s Larsen & Toubro Limited due to unauthorized change of Base Index of Wholesale Price Index (WPI) series from 1993-94 to 2004-05 for price adjustment. The WPI 1993-94 issued by the office of the Economic Advisor, Ministry of Commerce & Industry, Government of India was discontinued after July 2010 and a new series of WPI 2004-05 was introduced and came into effect from August, 2010. The nomenclature of the items were also different in the WPIs.

The PHPA-I had constituted a Committee which recommended to switch over the base year from 1993-94 to 2004-05 and amend Clause 70 of the GCC. However, no concurrence of the Project Authority was found obtained during amendment of Clause 70 of GCC and supporting records/documents from the competent authority if any were not furnished for the constitution of the committee, which indicate that the constitution of the committee itself was unauthorized. Further, the minutes of the committee also did not work out financial implication before switching over the base year from 1993-94 to 2004-05.

Re-computation of escalation payment made in the RA Bills on the recommended revised nomenclature accepted by the committee revealed that an excess payment of Nu.40.930 million was found made to contractor due to switchover of Base Year of WPI from 1993-94 to 2004-05. *AIN: 15583; Para: 8; Accountabilities: Direct: Sonam Chofel, SE (Contracts), EID # 1171, CID # 10711001402; G.S. Ghimiray, EE (Contracts), EID # 1178, CID # 11108000843; Supervisory: R.P. Sharma, Director (Technical), EID # 1002, WP # 191906277588184.*

Status: *The observation was settled based on the bi-lateral meeting held between RAA & PHPA I chaired by Hon'ble AG dated 14/10/2019 at Bjimethangka.*

2.3 IRREGULAR PAYMENT OF PAY ARREAR TO WAPCOS - NU.36.000 MILLION

The PHPA-I had made irregular payment of Nu.36.000 million to Water and Power Consultancy Company Limited, New Delhi (WAPCOS) on account of Pay Arrears for the period from 01.01.2017 to 31.12.2017. The PHPA-I had entered into an agreement with WAPCOS in October 2008 for getting consultancy services for planning and execution of the project.

Audit scrutiny of records furnished by the Project revealed that WAPCOS was paid an amount of Nu.437.300 million during the period 2016-17 and 2017-18. Further, there were many issues noted as follows:

- i. The agreement included payment of Man-month rates to WAPCOS for services rendered by them, but no modalities for calculation of such Man-month rates were found incorporated in the agreement. The Man-month rates for each employees was calculated by M/s WAPCOS itself;
- ii. M/s WAPCOS added departmental charges at the rate of 50% of the Gross emolument to arrive at the Man-month rate for each employee. It was not clear what the departmental charges are since WAPCOS is already being reimbursed all the expenditure incurred by them in respect of pay and allowance of employees, office accommodation, transportation, equipment, documentations, Travelling Allowance, Daily Allowance *etc.* Further, the Man-month rate was arrived at by taking the average of 'pay in pay band' (Minimum pay *plus* maximum pay *divided* by 2) for each employee instead of actual basic pay of employee and there were no agreed formula for calculation of Man-month rate;
- iii. WAPCOS was reimbursed charges for accommodation and transportation during the period;
- iv. WAPCOS was reimbursed amounts for equipment during the year 2017-18 and earlier, but as per agreement, the Project was supposed to provide free accommodation/transport to WAPCOS for office premises/journey within Bhutan.
- v. An amount of Nu.36.00 million was paid in March, 2018 towards provisional payment to WAPCOS for Pay Arrear for the period from 01.01.2017 to 31.12.2017. In this connection, it was observed that the Agreement did not contain any clause for payment of unascertained liability. The agreement was found to be indefinite, open-ended, revolving/running agreement because of the nature of its uncertainties of completion of the project. The avoidable payment of indefinite liability of Nu.36.00 million to WAPCOS had extended undue benefit for nearly one decade and burdened the PHPA-I.

AIN: 15583; Para: 11; Accountabilities: Direct: M.M. Verma, Project Director, WAPCOS, WP # 191913277313890; Sujit Ray, FO, WAPCOS, WP # 191913280624303; Supervisory: Pranav Kumar Mallick, Director (Finance), EID # 1003, WP # 1919072771100457.

Status: *The observation was settled based on the bi-lateral meeting held between RAA & PHPA I chaired by Hon'ble Auditor General on 14/10/2019 at Bjimethangka.*

2.4 IRREGULAR PAYMENT OF ARREAR OF BCA - NU.18.223 MILLION

The PHPA-I had made irregular payment of Nu.18.223 million on account of arrears of Bhutan Compensatory Allowance (BCA) to M/s WAPCOS for the period from 01/04/2014 to 30/04/2015. The BCA component was considered for and is admissible to employees of GoI/State Govt. and the rates are fixed depending on the official's Grade Pay and revised from time to time.

Although the WAPCOS is a GoI undertaking, the pay structure is quite different from those of either the GoI/State Govts. and there was no specific order from the MEA, GoI to the effect of parity in between these different structures. Thus, it was evident that payment of BCA to the personnel of WAPCOS was not in order. *AIN: 15583; Para: 10; Accountabilities: Direct: M.M. Verma, Project Director, WAPCOS, WP # 191913277313890; Sujit Ray, FO, WAPCOS, WP # 191913280624303; Supervisory: Pranav Kumar Mallick, Director (Finance), EID # 1003, WP # 1919072771100457.*

Status: *The observation was settled based on the bi-lateral meeting held between RAA & PHPA I chaired by Hon'ble Auditor General on 14/10/2019 at Bjimethangka.*

2.5 SLOPE MOVEMENT AND STABILIZATION WORKS ON RIGHT BANK OF DAM SITE LEADING TO EXCESSIVE TIME AND COST OVERRUN

The PHPA-I had excessive time and cost overrun due to slope movement and stabilization works on the right bank of dam site. After the slope movement incident on 17 July 2013, experts from CWC and GSI visited the site and provided recommendations through the design consultant, WAPCOS for several stabilization measures. The first stabilization work started only after 9 months of the incident, on 17 April 2014. Since then, PHPA-I management had carried out stabilization measures which included drilling 2,276 holes of different diameters measuring 159,897.85 meters and using 954,044.79 bags of cement. However, the problem was not resolved and thus, the WAPCOS then agreed to hire expert for third party opinion for stabilization measures.

The Technical Co-ordination Committee (TCC) met on 9 September 2013 for its 13th Meeting and deliberated on the issue. The Bhutanese counterparts in the Committee suggested seeking outside expert's assistance on the issue but the CWC assured that similar problems have been encountered in India and abroad before this and there are solutions to such problems. However, during the 17th Meeting of TCC held on 27 December 2016, the CWC contradicted the earlier assurance and stated that *'the present problem is of enormous magnitude which has never been encountered so far'*. Subsequently, after more than three and half years of occurrence of slope failure, the Norwegian Geotechnical Institute (NGI) was appointed as a third party consultant and a Technical Group of Experts (TGE) formed to advise on stabilization measures during the 18th Meeting of TCC held on 21 and 31 July, 2017. The delays in providing timely response actions was indicative of lack of due diligence.

Thereafter, based on additional investigations carried out and reported by the NG1, excavation above EL 1260m for 400,000–500,000 cum was recommended and the tentative cost was estimated between Nu.500-700 million. Subsequent meetings of TCC, recommended revised excavation of 6,000,000 cum which varied by over 1,100% from initial estimates based on geological data provided by WAPCOS. However, after further scrutiny, excavation below EL 1140m was permitted disregarding the requirement of slope excavation above EL 1260m. Such turn of events and indecisiveness on the part of design consultant, WAPCOS were suggestive of lack of professionalism and foresight. Further, the consultant suggested stabilization measures carried out after spending a sum of Nu.1,924.53 million were not found effective despite incurring huge expenditures with resultant time and cost overruns, which could affect the economic viability of the project.

The NG1 report indicated that stabilization measures undertaken so far were insufficient and that the

geology of the area was still not well known requiring further investigations, which is indicative of ineffective stabilization measures undertaken over 55 months to arrest the right bank movement. Moreover, the 2nd Meeting of TGE and the 19th Meeting of TCC held on 22 and 23 March 2018, had decided to consolidate grout to reduce permeability to 50% at the right bank below highway. However, the consultant had not yet approved the procedures to initiate timely implementation of agreed stabilization measures.

There was apparent indecisiveness on the part of consultant and stabilization measures were recommended without adequate investigations at site which had resulted in significant delays to the completion of project. The Revised Cost Estimates (December 2013 Price Level) had estimated Nu.40,165.16 million for MC-1 package which comprises of construction of Dam, Diversion Tunnel, Intake structures and Desilting Chambers including H&M works. Against the initial contract estimates of Nu.12,355.17 million, there was an increase of 168.43% in the revised estimates. The cost does not include the interest liability which is accruing approximately Nu.4.50 billion per year for entire project which is a serious concern for both the governments on the economic viability of the projects if immediate and ardent attention on the progress is not monitored. *AIN: 15583; Para: 1; Accountabilities: Direct: J.S. Bajwa, EIC (Dam), EID 1789, WP # 191907011552844; Supervisory: R.P. Sharma, Director (Technical), EID # 1002, WP # 191906277588184.*

Status: *The observation was settled based on the bi-lateral meeting held between RAA & PHPA I chaired by Hon'ble Auditor General on 14/10./2019 at Bjimethangka.*

1.4.3 PUNATSANGCHHU-II HYDROELECTRIC PROJECT AUTHORITY

During the year, the RAA had issued one audit report of the Punatsangchhu-11 Hydroelectric Project Authority (PHPA-II). There were 11 observations amounting to Nu.2,735.544 million. The total unresolved significant irregularities reported in the draft AAR 2018 amounted to Nu.2,735.544 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the project authority, four observations amounting to Nu.2,078.525 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.657.019 million as summarised below.

Out of the total unresolved irregularities of Nu.657.019 million reported to the Parliament in June 2019, Nu.50.709 million had been settled as on 30 Sept. 2020 based on the follow up conducted by the RAA and responses received after the issue of the AAR 2018 and actions taken by the Project Authority. The unresolved significant irregularities amounting to Nu.606.310 million as on 30 Sept. 2020 are as summarised below:

Sl. No.	Observation Category	Irregularities reported to the Parliament in June 2019 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2020 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	606.310	-	606.310	-
2	Shortfalls, Lapses and Deficiencies	50.709	50.709	-	100
	Total	657.019	50.709	606.310	7.72

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2020 are as discussed below:

1. Non-compliance to Laws and Rules - Nu.606.310 million

There were cases of non-compliance to laws and rules amounting to Nu.606.310 million as

summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Delays in the construction of residential and non-residential buildings	-	-	Settled
1.2	Grant of time extensions on unjustified grounds	-	-	Settled
1.3	Non-adherence of contract provisions under C-3 package led to extra payment of Nu.310.830 million towards strengthening measures in Power House Complex	310.830	-	310.830
1.4	Incorrect computation of rate analysis for deviated items of work under C2	295.480	-	295.480
	Total	606.310	-	606.310

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

1.1 DELAYS IN THE CONSTRUCTION OF RESIDENTIAL AND NON-RESIDENTIAL BUILDINGS

The PHPA-II had delays in the construction of the residential and non-residential buildings executed by various contractors. As of 31 March 2018, M/s Lamnekha Construction Pvt. Ltd. and M/s Phuensum Builders Pvt. Ltd. both had delays of over one year four months. M/s Noryang Pvt. Ltd. had delay of ten months. The PHPA-II had failed to invoke provisions of liquidated damages in accordance with the agreement and had instead provided provisional time extensions. Similar observations were pointed out in the previous audit despite which work had remained incomplete as of June 2018. *AIN: 15612; Para: 1; Accountabilities: Direct: Sandeep Kumar Aggarwal, SE, EID: 5916, WPN: 191906011629743; Abhishek Sinha, EE, EID: 5902, WPN: 191903011598004; Jigme Namgyel, EE, EID: 5001, CID: 11502001909; Supervisory: R.P. Sharma, Director (Technical), EID: 1002, WPN: 191906277588184.*

Status: *The observation was settled based on the bi-lateral meeting held between RAA & PHPA I chaired by Hon'ble Auditor General on 15/10/2019 at Bjimethangka.*

1.2 GRANT OF TIME EXTENSIONS ON UNJUSTIFIED GROUNDS

The PHPA-II had significant delays in the work progress for the construction of residential buildings and allied works for PHPA-II colony at Pheytaikha. The management had granted unjustified time extensions to the contractors in contravention to the General Conditions of Contract²⁹. The management had not taken into account the failure of contractors to deploy adequate labour and materials required for timely completion of the work.

The management had also failed to levy liquidated damages for actual delays upon completion of works as per the provisions in the Contract. In addition, despite numerous reminders, the work pace at site was found sluggish due to inadequate deployment of manpower and materials. *AIN: 15612; Para: 2; Accountabilities: Direct: Sandeep Kumar Aggarwal, SE, EID: 5916, WPN: 191906011629743; Abhishek Sinha, EE, EID: 5902, WPN: 191903011598004; Jigme Namgyel, EE, EID: 5001, CID: 11502001909; Supervisory: R.P. Sharma, Director (Technical), EID: 1002, WPN: 191906277588184*

Status: *The observation was settled based on the bi-lateral meeting held between RAA & PHPA I chaired by Hon'ble Auditor General on 15/10./2019 at Bjimethangka.*

29 Clause 44, Section III stipulates that "Should the amount of extra or additional work of any cause of delay referred to in these Conditions, or exceptional adverse climate conditions, or other special circumstances beyond the control of the Contractor which may occur, other than through a default of the contractor, be such as fairly to entitle the Contractor to an extension of time for the Completion of the works".

1.3 NON-ADHERENCE OF CONTRACT PROVISIONS UNDER C-3 PACKAGE LED TO EXTRA PAYMENT OF NU.310.83 MILLION TOWARDS STRENGTHENING MEASURES IN POWER HOUSE COMPLEX

The PHPA-II had made excess payment of Nu.310.830 million towards strengthening measures in Power House Complex due to non-adherence of contract provisions under C-3 package which included construction of Head Race Tunnel from Surge Shaft end, Surge Shaft, Butterfly Valve Chamber, Pressure Shafts, Power House and Tailrace Tunnel including Hydro-Mechanical works. The non-adherence of the contract provisions both by the Contractor and Project had resulted in the Project incurring extra expenditure to the tune of at least Nu.310.83 million till the date of audit. The issue of rock fall leading to cost and time overrun was pointed out vide Para No. 10 of previous audit report *AIN: 15612; Para: 6; Accountabilities: Direct: R.P. Sharma, Director (Technical), EID: 1002, WPN: 191906277588184; Supervisory: R.P. Sharma, Director (Technical), EID: 1002, WPN: 191906277588184.*

Status: Observation not settled.

1.4 INCORRECT COMPUTATION OF RATE ANALYSIS FOR DEVIATED ITEMS OF WORK UNDER C2 & C3 PACKAGES RESULTED IN EXCESS PAYMENT OF NU.295.480 MILLION

The PHPA-II had made excess payment of Nu.295.480 million to M/s Gammon India Ltd. for deviated items of work under C2 & C3 packages due to incorrect computation of rate analysis in the construction of Head Race Tunnel (HRT) from ADIT-I and ADIT-II. The calculations of deviated and extra items were not as per the CWC guidelines. Further, for both C2 & C3 packages there were excess payments amounting to Nu.11.700 million up to 2016-17 due to consideration of PF component at 8.33% instead of 5% while calculating indirect charges in rate analysis.

The issues was pointed out vide para no. 8 under Part-B of the previous audit report but the Authority had not yet re-analyzed the rates and had continued to pay the RA bills at the same rate till last RA bill. Accordingly, the money value of the observation has been modified to the extent of Nu.295.48 million to be recovered from the contractors. *AIN: 15612; Para: 10; Accountabilities: Direct: Abhishek Sinha, EE, EID: 5902, WPN: 191903011598004; Gorab Dorji, EIC (PH), EID: 5883, CID: 10205004391; Supervisory: R.P. Sharma, Director (Technical), EID: 1002, WPN: 191906277588184.*

Status: Observation not settled.

2. Shortfall, Lapses and Deficiencies

There were cases of shortfall, lapses and deficiencies amounting to Nu.50.709 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
2.1	Excess payment of Children Education Allowance (CEA)	0.499	0.499	-
2.2	Non-realisation of Service Tax from GoI	50.210	50.210	-
	Total	50.709	50.709	-

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

2.1 EXCESS PAYMENT OF CHILDREN EDUCATION ALLOWANCE (CEA) - NU.0.499 MILLION

The PHPA-II had made excess payments amounting to Nu.0.499 million on account of Children Education Allowance (CEA) in deviation to the CEA entitlement for deputationists/officers of the Central and State Governments of India on deputation with the Government of Bhutan issued by Ministry of External Affairs, Northern Division, India. Nine officials were found paid Nu.0.516 million on account of CEA at rates given in the 'Office Memorandum', recommendations of the Sixth and Seventh Central Pay Commission 'Implementation of decision relating to the grant of CEA' issued by Ministry of Personnel, P.G. and Pensions (Department of Personnel & Training), GoI, New Delhi.

However, since all the deputationists in Bhutan are appointed as per the terms and conditions of MEA, any revisions of allowances entitled to the deputationists posted in Bhutan should be approved and communicated by MEA, New Delhi like salary and BCA revisions. The CEA revisions, mentioned in the 'Office Memorandum' as recommendation of Sixth and Seventh Central Pay Commission issued by Ministry of Personnel, P.G. and Pensions, Department of Personnel & Training, GoI may not be applicable as all the officials on deputation are governed by MEA terms and conditions.

The excess payments had occurred due to application of different CEA rates as per the Office Memorandum of sixth and seventh central pay commission recommendation. *AIN: 15612; Para:3. Accountabilities: Direct: Rama Prasad Rongali, AEE, EID: 5904, WPN: 191915011359421; Nagendra Kumar Singh, AEE, EID: 5905, WPN: 191915011359420; A P Thapliya, Sr. Geologist, EID: 5915, WPN: 191906055499111, Naveen Kumar Sadavarty, Ex. FO, EID: 5910, WPN: 191906280532350; D K Meena, EE, EID: 5907, WPN: 191906011584219; Mohdsaeed, FO, EID: 5912, WPN: 191906280532349; Md Amanullah, AEE, EID: 5903, WPN: 191915011359419; Chander Sain Arora, Sr. FO, EID: 5909, WPN: 191906280532321; Surat Singh Negi, FO, EID: 5911, WPN: 191907279531436; Supervisory: Bhupal Nanda, Director (Finance), EID: 10747, WPN: 1717032771137752.*

Status: *The observation was settled based on the bi-lateral meeting held between RAA & PHPA I chaired by Hon'ble Auditor General on 15/10/2019 at Bjimethangka.*

2.2 NON-REALISATION OF SERVICE TAX FROM GOI - NU.50.210 MILLION

The PHPA-II had not realised Nu.50.210 million from GoI on account of reimbursable Service Tax as per the agreement between the Government of the Republic of India (GoI) and the Royal Government of Bhutan (RGoB) regarding the PHPA-II which states that the Service tax that may be applicable on services provided by Indian agencies involved in the project shall be reimbursed by the GoI and will not be incorporated in the overall Project cost. As of March 2018, the Authority had reimbursed Nu.50.210 million to contractors on account of services received in PHPA-II, but failed to furnish any records showing that such amount had been claimed from GoI nor had any confirmation from GoI that the said amount would be reimbursed by the Government. Lack of action by the Authority has deprived the PHPA-II a sum of Nu.50.210 million on account of service tax receivable from GoI leading to additional financial burden to the Project. *AIN: 15612; Para: 8; Accountabilities: Direct: Arvind Kumar, PD, WAPCOS; Supervisory: Dorji Pavo Phuntshok, JMD, EID: 1001, CID: 11510004119; Bhupal Nanda, Director (Finance), EID: 10747, WPN: 1717032771137752.*

Status: *The observation was settled based on the bi-lateral meeting held between RAA & PHPA I chaired by Hon'ble Auditor General on 15/10/2019 at Bjimethangka.*
