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ROYAL AUDIT AUTHORITY

ANNUAL AUDIT REPORT 2023-2024



VOLUME - I

MAIN REPORT

REPORTING ON ECONOMY, EFFICIENCY & EFFECTIVENESS IN THE USE OF PUBLIC RESOURCE

"There shall be Royal Audit Authority to audit and report on the economy, efficiency, and effectiveness in the use of public resources."

(Article 25, The Constitution of The Kingdom of Bhutan)

VISION

A credible Supreme Audit Institution that promotes value for money and good governance in public operations and contributes towards achieving the societal aspirations of Gross National Happiness.

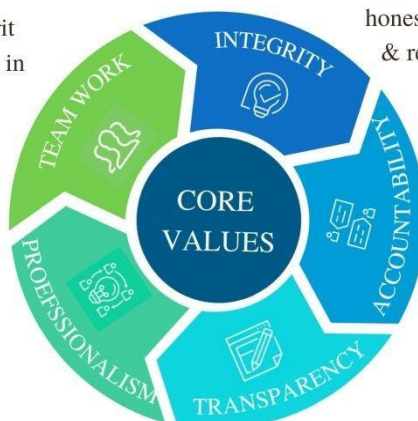
MISSION

RAA is an independent constitutional body which contributes to accountability, transparency and effective service delivery. In the service of Tsa-Wa-Sum (the King, Country and People), we audit without fear, favour or prejudice and provide timely, reliable and quality audit services to assist effective decision making in the public sector.

RAA CORE VALUES

TEAM WORK: We believe in team spirit and diversity to unleash our full potential in achieving common goals through respect, trust and support.

PROFESSIONALISM: We perform quality audit services through dedicated and competent work force conforming to auditing standards and best practices.



INTEGRITY: We are independent, honest and incorruptible in our conduct & remain impartial and trustworthy.

ACCOUNTABILITY: We are accountable for our own actions in a similar way we propound accountability in audited agencies.

TRANSPARENCY: We are transparent in all our dealings and actions, and promote culture of openness and submit ourselves to scrutiny.

AUDIT JURISDICTION

- Ministries, Departments, Divisions, Units, Dzongkhags, Gewogs, Thromdes, autonomous bodies, foreign-assisted or special projects
- Zhung Dratshang, Rabdeys and all related institution.
- Judiciary and Judicial Bodies, Legislature and related institutions
- Constitutional bodies
- Defense and Security Services
- All corporations, Financial Institutions including the Central Bank and their subsidiaries.
- Political parties
- Any Entity or Activity upon command of the Druk Gyalpo
- All entities including non-governmental organizations, trusts, charities and civil societies fully or partly funded by the government; whose loans are approved or guaranteed by the government; and
- Any entity whether private or public engaged in extracting, processing, trading and mining of natural resources of the State.

Notwithstanding the provisions of any laws relating to the accounts and audit of any public authority, the Parliament, by resolution may direct that the accounts of such entities be audited by the Authority.

(Section 91 of Audit Act 2018)



ANNUAL AUDIT REPORT 2023-24

(IN FULFILLING THE CONSTITUTIONAL RESPONSIBILITY)

ROYAL AUDIT AUTHORITY

ACRONYM

AAR	: Annual Audit Report
ADB	: Asian Development Bank
ARA	: Audit Recoveries Account
BCSR	: Bhutan Civil Service Rules and Regulations
BoQ	: Bill of Quantities
BMS	: Building Management System
CWC	: Central Water Commission
CPMS	: Check Post Management System
CIB	: Credit Information Bureau
CD	: Current Deposit
eRaLIS	: e-Registration & Licensing Information System
e-PEMS	: Electronic Public Expenditure Management System
EOL	: Extra Ordinary Leave
FAM	: Finance and Accounting Manual
FY	: Financial Year
GC	: Gewog Centre Roads
GEF	: Global Environment Facility
GoI	: Government of India
GNH	: Gross National Happiness
IFAD	: International Fund for Agricultural Development
INTOSAI	: International Organization of Supreme Audit Institutions
LMC	: Labour and Materials Coefficient
LC	: Letter of Credit
LN2	Liquid Nitrogen
LTT	: Long-term Training
MLD	: Minimal Liquid Discharge
NPL	: Non-performing Loan
PCC	: Plain Cement Concrete
PLC	: Project Letter of Account
PW	: Public Work Advance
RRM	: Random Rubble Masonry
RCC	: Reinforced Cement Concrete
RAMIS	: Revenue Administration Management Information System
RAA	: Royal Audit Authority
RCSC	Royal Civil Service Commission
RMA	: Royal Monetary Authority
RUB	: Royal University of Bhutan
RA	: Running Account
RWSS	: Rural Water Supply Schemes
SBD	: Standard Bidding Document
TA/DA	: Travel Allowance & Daily Allowance



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ROYAL AUDIT AUTHORITY

Bhutan Integrity House

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



SUBMISSION OF ANNUAL AUDIT REPORT 2023-24

In line with **Article 25 (5)** of the Constitution of the Kingdom of Bhutan and **Section 111** of the Audit Act of Bhutan 2018, the Royal Audit Authority (RAA) is pleased to release its Annual Audit Report (AAR) 2023-24. The AAR is a consolidated summary of audit findings from 228 audit reports out of 525 audit reports issued from 01st July 2023 to 30th June 2024.

The AAR is issued in two volumes. Volume I contain Executive Summary, audited Annual Financial Statements (AFS) of the Royal Government of Bhutan, a summary of significant audit findings, and recommendations. Volume II of the AAR contains the statuses of total irregularities of audit reports issued between 01st July 2023 and 30th June 2024.

The AAR also highlights milestones and achievements of the RAA during the period, challenges faced in achieving the mandates, audit impacts and the auditor's report on the accounts and operations of the RAA for the year ended 30th June 2024. It is submitted as part of ensuring accountability of RAA for resources used in delivering audit mandates and strengthening its organizational systems and human resources.

(Tashi)

Auditor General of Bhutan

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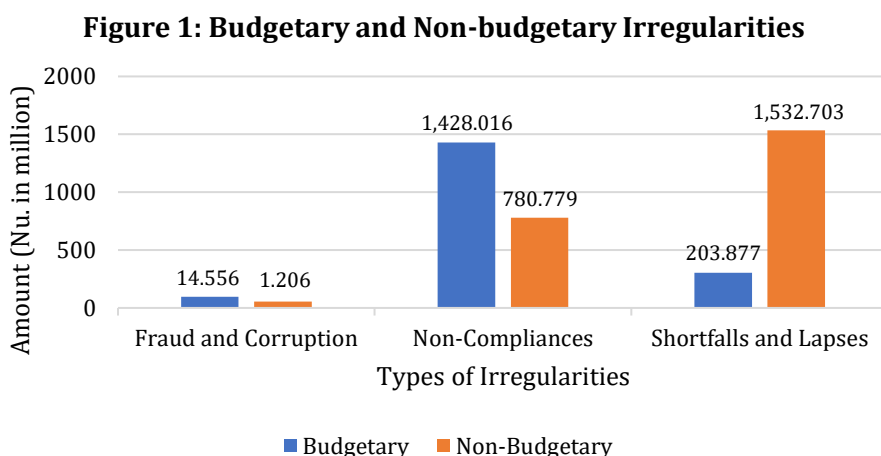
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1. EXECUTIVE SUMMARY

The Annual Audit Report 2023-24 contains audited Annual Financial Statements (AFS) of the Royal Government of Bhutan (RGoB), analyses of audit findings and recommendations.

The approved budget of the Royal Government of Bhutan for the FY 2023-2024 was Nu. 74,861.615 million which was revised to Nu. 77,076.936 million. The sources of the revised government budget comprised 67.64% from domestic revenue, 14.20% from grants, 14.32% from net borrowings and 3.85% from other receipts. The RGoB resorted to net internal borrowings amounting to Nu. -3,995.288 million to finance its expenses besides external borrowings of Nu. 16,000.199 million. Total grants received during the year amounted to Nu. 10,615.567 million comprising of Nu. 10,232.506 million in cash and Nu. 383.059 million in kind.

During the FY 2023-24 the RAA issued 525 Audit Reports. The Annual Audit Report 2023-24 was compiled from 228 audit reports containing irregularities amounting to Nu. 3,961.136 million of which 58.43% pertained to non-budgetary agencies¹ and 41.57% pertained to budgetary agencies². The irregularities for budgetary and non-budgetary agencies for Fraud and Corruption; Non-compliance to Laws, Rules & Regulations; and Shortfalls, Lapses and Deficiencies are indicated in **Figure 1**.



Overall, a total sum of Nu. 405.302 million was recovered through the audits carried out during the year. Out of this, Nu. 194.435 million was deposited into the Audit Recoveries Account (ARA) and transferred to the Government Budget Fund Account, Nu. 201.590 million was recovered or adjusted from running account bills pertaining

¹ Non-budgetary agencies include Corporations and Financial Institutions, State Owned Enterprises, Non-Governmental Organizations, Civil Society Organizations, and Hydropower Projects.

² Budgetary agencies are Government organizations including Ministries and Agencies for which annual budgets are included in the appropriation bill and appropriations are made by the National Assembly.

to the hydropower projects, and Nu. 7.642 million was deposited into the respective audit recoveries account of Corporations and Financial Institutions. Further, Nu. 1.635 million recovered from the ongoing ADB projects, was refunded to respective projects. Despite continuous attrition of officials, the number of audits conducted and reports issued during the year increased to 525 as compared to 456 last year. The irregularities observed during the year increased to Nu. 3,961.136 million compared to Nu. 2,840.093 million last year. While the irregularities during the year have increased, judging from the last four years' trend, the overall irregularities have been reducing over the years.

The type of irregularities observed during the period showed that there were instances of **Fraud and Corruption** amounting to Nu. 15.762 million of which Dzongkhag Administration, Pemagatshel including Dungkhag and Gewogs accounted for Nu. 4.738 million (30.06%) and Dzongkhag Administration, Samtse including Dungkhags and Gewogs accounted for Nu. 3.891 million (24.68%). Irregularities under **Non-compliance to Laws, Rules and Regulations** amounted to Nu. 2,208.794 million of which the Department of Infrastructure Development, MoIT accounted for Nu. 344.403 million (15.59%) and the State Trading Corporation of Bhutan Limited accounted for Nu. 328.732 million (14.88%) of the irregularities. Irregularities under **Shortfalls, Lapses and Deficiencies** amounted to Nu. 1,736.580 million of which Punatsangchhu-II Hydroelectric Project accounted for Nu. 551.344 million (31.75%) and State Mining Corporation Limited accounted for Nu. 497.177 million (28.63%).

The efficiency and effectiveness of control mechanisms are dependent on the monitoring and supervision of the activities that take place within the agencies. The RAA provides seven recommendations to improve accountability, governance and public finance management in the country and they include;

- 1) Government should focus on Quality Construction;
- 2) Government should enforce robust mechanisms and stricter measures to curb excess payment in Public Procurements;
- 3) Need to ensure strict adherence to specification of Granular Sub-Base (GSB) works for farm roads;
- 4) Need to reinforce the administration of Leasing of Government Lands;
- 5) Need to address the issue of Wasteful Expenditures in Government and Public Agencies;
- 6) Need to enforce strict compliance to Price Adjustment Clause to avoid Inadmissible Payments; and
- 7) The Government should come out with a clear guideline on Hospitality and Entertainment Expenses.

The RAA believes that, if all agencies collectively prioritize to resolve audit issues, act on the recommendations provided and hold officials accountable for their actions, His Majesty's vision of Bhutan being a 'corruption-free' and 'zero-incidences of non-compliance' can be realized.

The RAA is pleased to report that about 91.02% of the total outstanding observations from 2010 to 2023 were resolved through follow-up exercises undertaken by the Auditor General and the team by visiting all 20 Dzongkhags, three Thromdes, and two Ministries leaving 8.98% (764 Nos.) as unresolved observations. Such exercises also enhanced understanding and cleared misconceptions about auditing and the RAA.

CHAPTER 2

2. ANNUAL FINANCIAL STATEMENT OF THE ROYAL GOVERNMENT OF BHUTAN

The RAA audited the Annual Financial Statements (AFS) of the Royal Government of Bhutan for the FY 2023-24 as required by the Audit Act of Bhutan 2018 and the Public Finance Act of Bhutan 2007 (Amendment 2012). The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

The approved budget of the Royal Government of Bhutan for the FY 2023-2024 was Nu. 74,861.615 million which was revised to Nu. 77,076.936 million. The sources of the revised government budget comprised 67.64% from domestic revenue, 14.20% from grants, 14.32% from net borrowings and 3.85% from other receipts. The RGoB resorted to net internal borrowings amounting to Nu. -3,995.288 million to finance its expenses besides external borrowings of Nu. 16,000.199 million. Total grants received during the year amounted to Nu. 10,615.567 million comprising of Nu. 10,232.506 million in cash and Nu. 383.059 million in kind.

The total expenditure recorded for the year amounted to Nu. 70,223.000 million resulting in overall underutilization of the revised budget by 8.89%. During the period, there was under-absorption of the capital budget by 18.67%.

The RAA reported two observations in the audit of the AFS of the Government as highlighted below:

1) Equity Holding Discrepancy in FCBL Shares

During the audit of the consolidated AFS of the RGoB, the RAA identified a discrepancy in the reported equity shareholding in the Food Corporation of Bhutan Limited (FCBL). The Ministry of Finance (MoF) had reported holding 217,366 equity shares in FCBL as per its equity holding statement. However, it was noted that RGoB's holding reflected in FCBL's 2023 audited financial statements was only 15,000 equity shares. In response, the MoF has communicated with FCBL and directed them to convene an Extraordinary General Meeting to enhance the authorized capital to Nu. 500 million and update the RGoB's equity holding in FCBL's books of accounts to ensure accurate and consistent reporting.

2) Non-Compliance with Cash Basis IPSAS by Subsidiary Budgetary Agencies

The RAA also raised concerns regarding the non-compliance with Cash Basis IPSAS by subsidiary budgetary agencies. Despite the adoption of Cash Basis IPSAS as the National Standard in 2022 by the AASBB, the budgetary agencies have not yet presented their financial statements in accordance with this standard. The RAA recommended that subsidiary budgetary agencies implement the Cash Basis IPSAS when preparing and reporting financial information which will not only promote consistent and uniform reporting between the parent (group) and

subsidiaries but also facilitate a smoother transition to the Accrual Basis IPSAS in the future, fostering improved financial transparency and governance.

The Auditor General's Report on the AFS and audited Financial Statements are reproduced herewith.

2.1 Certificate of Annual Financial Statement



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ROYAL AUDIT AUTHORITY

Bhutan Integrity House

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



AUDITOR GENERAL'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF THE ROYAL GOVERNMENT OF BHUTAN FOR THE FY ENDED 30th JUNE 2024

Opinion

The Royal Audit Authority (RAA) have audited the accompanying consolidated Annual Financial Statements of the Royal Government of Bhutan (RGoB) which comprises the consolidated Statement of Cash Receipts and Payments for the year ended 30th June 2024, consolidated Statement of Comparison of Budget & Actual for the year ended 30th June 2024, and Notes to the Financial Statements including Significant Accounting Policies.

In RAA's opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the Consolidated Statement of Cash Receipts and Payments for the year ended 30th June 2024 and the Consolidated Statement of Comparison of Budget & Actual for the year then ended in accordance with the Cash Basis International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

The RAA conducted its audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Ministry of Finance, and we have fulfilled our responsibilities in accordance with the requirements outlined in RAA's Oath of Good Conduct, Ethics and Secrecy of Auditors. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter paragraph

We draw attention to Note 4.3 of the Financial Statements which describes the effect of prior year adjustments. The Consolidated Statement of Cash Receipt and Payment (CSCR) for FY 2022-23 was restated due to the omission of Nu. 0.019 million in expenditure by the Ministry of Education and the double accounting of Nu. 0.797

*"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*

million in cash balances by the Ministry of Agriculture and Livestock in both the opening and closing balances for FY 2022-23. This double accounting occurred due to the reclassification from Project Letter of Credit (PLC) to Letter of Credit (LC) and the data migration in the previous FY which was rectified in the current reporting period.

Our opinion is not modified with respect to this matter.

Other Matter

As per the information made available by the MoF, there were 550 LC and PLC Accounts during the period under audit. The total 550 LCs & PLCs accounts include 205 Gewog LCs which were consolidated with the Dzongkhag LC for auditing purposes, resulting in 345 LCs & PLCs included in Consolidated Annual Financial Statements of RGoB. As on 30th September 2024, the RAA audited 11.30% (23 LC and 16 PLC accounts) of the total 345 accounts for the Financial Year ended 30th June 2024. For the remaining Accounts, the RAA verified the year-ended accounts generated from the e-PEMS and relied on the controls instituted by the MoF.

Responsibility of the Ministry of Finance for the Consolidated Financial Statements

The Ministry of Finance (MoF) is responsible for the preparation of the Consolidated Annual Financial Statements in accordance with the Cash Basis International Public Sector Accounting Standards (IPSAS) and for such internal control as MoF determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Government's financial reporting process.

RAA's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MoF's internal control.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the management, among others, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.



(Tashi)

Auditor General

Date: 11th October 2024

CONSOLIDATED STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2024

	Notes	2023/24	2022-23	
			Re-stated	Reported
TOTAL RECEIPTS FROM TAXATION	8	35,037.733	31,466.676	31,466.676
<i>Direct taxes</i>		17,776.446	14,807.582	14,807.582
<i>Indirect taxes</i>		10,340.842	9,949.721	9,949.721
<i>Other taxes</i>		6,920.445	6,709.373	6,709.373
GRANTS AND LOANS RECEIVED	9	20,660.681	19,165.632	19,165.632
<i>External grants received in cash</i>		10,232.508	14,093.105	14,093.105
<i>Cash receipts from external borrowings</i>	10.1	14,423.461	7,965.412	7,965.412
<i>Receipts from internal borrowings</i>	10.2	(3,995.288)	(2,892.885)	(2,892.885)
RECOVERY OF LOANS	11	4,269.410	5,087.723	5,087.723
NON-TAX REVENUE	12	15,669.113	11,474.515	11,474.515
CURRENT REVENUE	13	4,479.924	1,507.174	1,507.174
CAPITAL RECEIPTS	14	827.691	426.520	426.520
OTHER RECEIPTS	15	3,565.106	1,230.635	1,230.635
TOTAL RECEIPTS IN THE YEAR		84,509.658	70,358.875	70,358.875
TOTAL CURRENT EXPENDITURE	16	43,424.604	35,428.037	35,428.018
<i>Operations</i>		41,448.985	32,498.148	32,498.129
<i>Domestic grants and Transfers</i>	16.2	1,863.742	2,865.389	2,865.389
<i>Remittances to external parties</i>		111.877	64.499	64.499
TOTAL CAPITAL EXPENDITURE (CASH)	17	26,197.296	33,523.279	33,523.279
NET OTHER PAYMENTS		-	2870.859	2870.859
ON-LENDING	18	-	74.988	74.988
TOTAL LOAN REPAYMENT	19	9,941.919	5,650.500	5,650.500
ADVANCE AND SUSPENSE	20	403.352	(406.052)	(406.052)
TOTAL PAYMENTS IN THE YEAR		79,967.170	77,141.611	77,141.592
Increase/(Decrease) in Cash		4,542.487	(6,782.736)	(6,782.717)
Cash at the beginning of year		(4,895.054)	1,887.682	1,888.479
Cash at the end of year		(352.567)	(4,895.054)	(4,894.238)


 (Norbu Dendup)
 Director
 Department of Treasury & Accounts
 Ministry of Finance


 Deputy Auditor General
 Department of Performance &
 Compliance Audit
 Royal Audit Authority

CONSOLIDATED STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2024

	Notes	Original Budget	Revised Budget	Actuals	Variance ³
RECEIPTS					
TOTAL RECEIPTS FROM DOMESTIC REVENUE		46,245.776	52,132.561	56,014.461	3,881.900
<i>Tax</i>	8	31,499.165	33,731.126	35,037.732	1,306.606
<i>Other Revenue</i>		14,746.611	18,401.435	20,976.729	2,575.294
GRANTS AND LOANS RECEIVED	9	34,271.419	29,895.307	20,660.681	(9,234.626)
<i>External grants received in cash</i>		6,367.402	10,944.645	10,232.508	(712.137)
<i>Cash receipts from external borrowings</i>	10.1	8,354.840	11,782.525	14,423.461	2,640.936
<i>Cash receipts from internal borrowings</i>	10.2	19,549.177	7,168.137	(3,995.288)	(11,163.425)
RECOVERY OF LOANS	11	4,105.277	4,452.592	4,269.410	(183.182)
OTHER RECEIPTS	15	900.064	2,965.737	3,565.106	599.369
TOTAL RECEIPTS IN THE YEAR		85,522.536	89,446.197	84,509.658	(4,936.539)
PAYMENTS					
TOTAL CURRENT EXPENDITURE	16	45,545.947	44,127.209	43,424.604	(702.605)
<i>Operations</i>		43,945.166	42,088.193	41,448.985	(639.208)
<i>Domestic grants and Transfers</i>		1,600.781	1,881.669	1,863.742	(17.927)
<i>Remittances to external parties</i>			157.347	111.877	(45.470)
TOTAL CAPITAL EXPENDITURE	17	29,315.668	32,348.627	26,197.296	(6,151.331)
<i>Capital expenditure</i>		29,315.668	32,949.727	26,798.396	(6,151.331)
<i>Less: in kind expenses</i>			601.100	601.100	0.000
ON-LENDING	18	1,508.810	2,214.650	0.000	(2,214.650)
<i>Loans to corporations</i>		1,508.810	2,214.650	1,358.696	(855.954)
<i>Less: in kind expenses (loans)</i>				1,358.696	1,358.696
TOTAL LOAN REPAYMENT	19	9,152.111	10,154.611	9,941.919	(212.692)
ADVANCE AND SUSPENSE	20			403.352	403.352
TOTAL PAYMENTS IN THE YEAR		85,522.536	88,845.097	79,967.171	(8,877.926)
Increase/(Decrease) in Cash				4,542.487	4,542.487


 (Norbu Dendup)
 Director
 Department of Treasury & Accounts
 Ministry of Finance

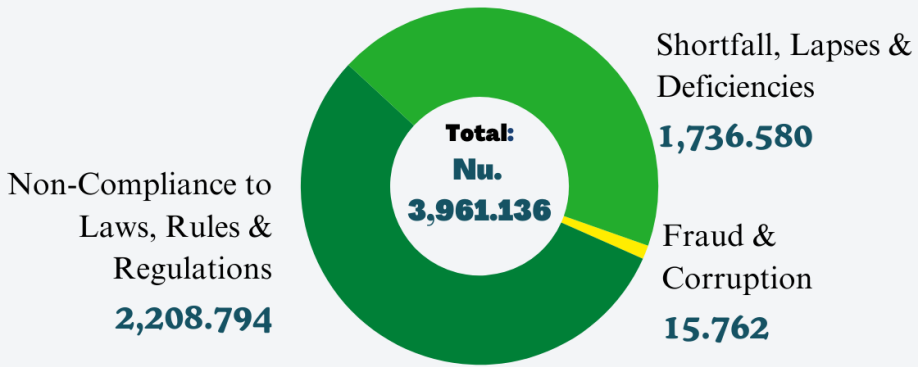

 Deputy Auditor General
 Department of Performance &
 Compliance Audit
 Royal Audit Authority

Annual Financial Statements of the Royal Government of Bhutan for the Year Ended 30th June 2023

³ Variance = Actual minus Revised Budget

SUMMARY OF AUDIT FINDINGS

Irregularities by Type (Nu. in million)



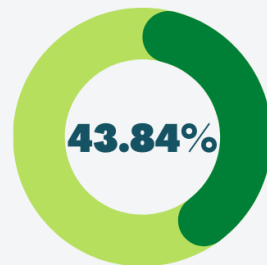
Irregularities by Percentage



Fraud & Corruption

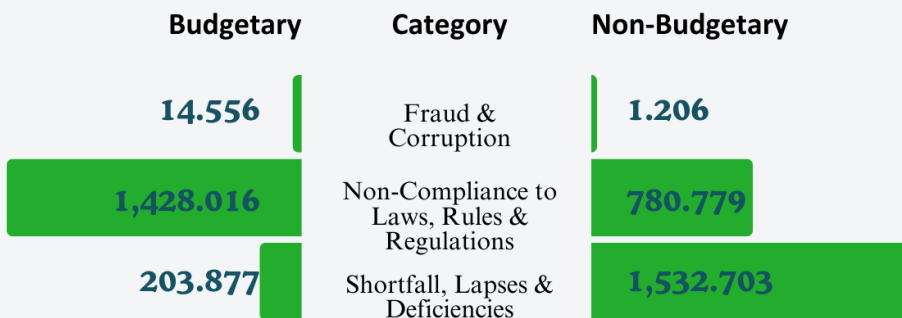


Non-Compliance to Laws, Rules & Regulations



Shortfall, Lapses & Deficiencies

Irregularities by Budgetary & Non-Budgetary (Nu. in million)

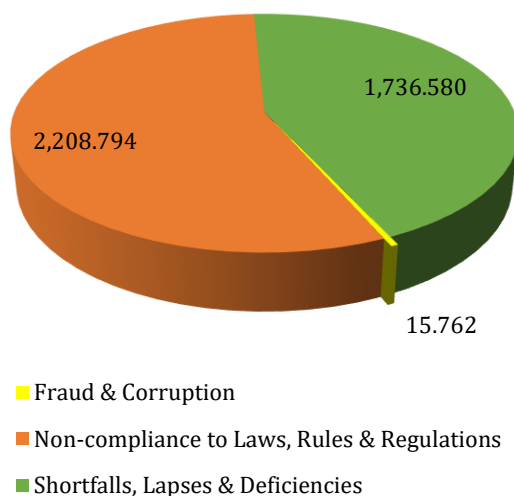


3. SUMMARY OF AUDIT FINDINGS

During FY 2023-24, the RAA issued 439 Financial Audit Reports and 86 Compliance Audit Reports. Of the 439 FA reports 13 were issued with qualified opinions⁴ and 426 were issued with unqualified opinions. The Annual Audit Report 2023-24 was compiled from 228 audit reports which contained audit findings.

The total financial implication of the irregularities reported during the period amounted to Nu. 3,961.136 million of which Nu. 15.762 million was categorized under 'Fraud and Corruption', Nu. 2,208.794 million under 'Non-compliances to Laws and Rules & Regulations', and Nu. 1,736.580 million under 'Shortfalls, Lapses and Deficiencies', representing 0.40%, 55.76% and 43.84% respectively as depicted in **Figure 2**.

Figure 2: Types of Irregularities with Amount (Nu. in Million)



The cases that require actions from the auditees are spelled out in the individual audit reports identifying accountable officials for treatment of issues, sanctions and initiating corrective actions. During the year, the RAA forwarded three audit reports containing six audit findings to the Anti-Corruption Commission (ACC) for further investigation. The RAA pursues the implementation of audit recommendations through a regular follow-up process and actions are sought from agencies in accordance with the Audit Act of Bhutan 2018.

The summary of significant audit findings is an analysis of the causes of the irregularities to help agencies and authorities in initiating corrective and preventive actions besides restitution of the loss sustained by the government. The significant

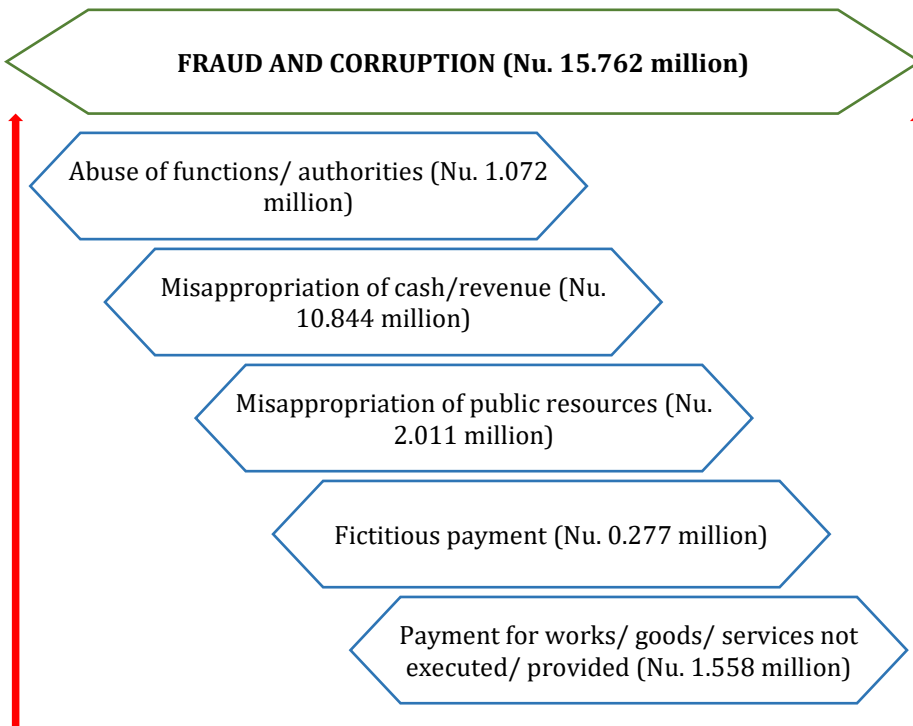
⁴ Qualified Opinion: Report issued by the auditor when after getting sufficient audit evidence, is of the view that misstatements are material but not pervasive.

audit findings are reported under three broad categories: Fraud and Corruption, Non-compliance to Laws and Rules & Regulations and Shortfalls, Lapses and Deficiencies.

3.1 FRAUD AND CORRUPTION

From the total irregularities of Nu. 3,961.136 million, cases under Fraud and Corruption accounted for 0.40% aggregating to Nu. 15.762 million. These cases were perpetrated with wilful intent of deriving undue benefits, monetary or otherwise which had prima facie evidences of fraud or deceptions. The cases requiring further investigations were forwarded to the ACC. The overview of fraud and corruption cases reported for the period is shown in **Figure 3**.

Figure 3: Overview of Fraud and Corruption



3.1.1 Cases of Fraud and Corruption

The cases of fraud and corruption reported for the period are:

1. The Milk Processing Unit (MPU) operated by Zambala Farmers Group in Norbugang Gewog under Pemagatshel Dzongkhag had a case of misuse of sales proceeds amounting to Nu. 4.738 million. It was found that the sales proceeds received by various office bearers were not deposited into the designated account. Further, the RAA noted that the loan amounting to Nu. 0.238 million was remaining outstanding against M/s Lhendrup Construction, Dewathang as of 5th November 2023. **(AIN: OAAGSJ-2023-348; Obs. No. 4.5)**
2. The Dungkhag Administration, Tashichhoeling under Samtse Dzongkhag had a case of misuse of COVID testing charges amounting to Nu. 2.299 million collected from inbound foreign travellers. The Dzongkhag and Dungkhag Administrations were recommended to recover the amount and initiate appropriate action on the official concerned. **(AIN: OAAGPL-2023-357; Obs. No. 1.1)**
3. The Dzongkhag Administration, Bumthang had a case of misappropriation of stipends amounting to Nu. 1.267 million. The RAA noted that payments were made using both original and photocopied invoices and, in some cases, disbursement of excess stipends. The amount was recovered and deposited into Audit Recoveries Account. The case was forwarded to ACC. **(AIN: OAAGB-2023-388; Obs. No. 1)**
4. The State Trading Corporation of Bhutan Limited (STBCL) had a shortage of 1,083 *Apollo Tyres* valued at Nu. 1.206 million due to poor inventory control at the Head Office and Regional Offices. The RAA recommended that the Board and Management take legal action against those responsible. The case was forwarded to ACC. **(AIN: COAD-2023-208; Obs. No. 18)**
5. The Thromde Administration, Thimphu had granted *e*-PEMS access rights to an Accounts Assistant during the EOL from 1st May 2022 to 30th April 2023, who had made remote transactions and adjustments of Nu. 1.072 million without proper documentation. Granting access to *e*-PEMS during EOL was highly irregular as it posed a risk of passing unauthorized transactions. The case was forwarded to ACC. **(AIN: SCID-2023-115; Obs. No. 2.4)**
6. The Scouts and Sports Division, Department of Education Programmes, MoESD had a case of temporary misuse of funds amounting to Nu. 1.063 million by retaining government funds in the personal savings account for seven months (222 days), from 16th August 2023 to 26th March 2024. The amount was intended for the 17th Leadership Training for Scouts at the National Scouts Centre, Paro, held from 11th - 25th July 2023 for 130 scouts. The observation was settled based on the recovery of the amount and administrative action taken on the official concerned. **(AIN: SoCD-2024-68; Obs. No.1)**
7. The Dzongkhag Administration, Samtse had made inadmissible payment of Nu. 1.057 million in the Maintenance Works of HVAC and Lift System at Samtse General Hospital awarded to M/s Spectrum HVAC, a firm based in Manglabary,

Jaigoan, West Bengal. It was noted that the payment was made without completion of the work. **(AIN: OAAGPL-2023-357; Obs. No. 2)**

8. The Thromde Administration, Thimphu had not accounted for 33 Non-Revenue Receipts amounting to Nu. 0.655 million in the system. The lapses had occurred due to inadequacies in the internal control system for managing non-revenue receipts. The case was forwarded to ACC. **(AIN: SCID-2023-115; Obs. No. 1.2)**
9. The Thromde Administration, Thimphu had a case of misappropriation of the government fund of Nu. 0.440 million. The RAA noted that the dealing accountant had remitted an amount of Nu. 0.440 million to the Administrative Assistant of Yangchenphu Higher Secondary School as an imprest advance. Later, the money was reimbursed and deposited into the personal savings account of the accountant. The deposit of government funds into the personal savings account was in violation of the financial norms. The case was forwarded to ACC. **(AIN: SCID-2023-115; Obs. No. 2.1)**
10. The Thromde Administration, Thimphu had a case of physical cash shortage of Nu. 0.407 million pertaining to its CD Account. The collections were on account of the lease of temporary space and vegetable sheds. The RAA noted that there was no record of regular reconciliations and verification of cash being conducted. Further, it was noted that the cash was handled by a single official without any controls and supervision. The case was forwarded to ACC. **(AIN: SCID-2023-115; Obs. No. 1.1)**
11. The Dungkhag Administration, Dophuchen under Samtse Dzongkhag had made a fictitious payment of Nu. 0.394 million in the Blacktopping of Dumtuo GC Road awarded to M/s Bumzang Construction Private Limited, Punakha. The RAA noted that two Gabion walls measuring 3 x 13.5 meters and 4 x 13 meters for which the payment was made were not executed at site. The observation was settled based on the recovery made and the action taken. **(AIN: OAAGPL-2023-357; Obs. No. 24.1)**
12. The Gewog Administration, Goshi under Dagana Dzongkhag made a payment of Nu. 0.364 million for Summer Restoration works without supporting documents. The Gewog Administration was recommended to furnish the necessary documents for review, failing which recovery of the equivalent amount would be initiated. **(AIN: OAAGTS-2023-424; Obs. No. 14)**
13. The Dzongkhag Administration, Samtse had a case of misuse of COVID testing charges amounting to Nu. 0.110 million collected from inbound foreign travellers. The amount was recovered at the instance of audit. The Dzongkhag Administration was recommended to initiate appropriate action on the official concerned. **(AIN: OAAGPL-2023-357; Obs. No. 1.2)**
14. The Dzongkhag Administration, Haa had made inadmissible payment of Nu. 0.080 million in the Construction of new Farm Road to Tshoshikha executed by the

Community Contractor. It was found that the payment was made without executing the RRM Wall. The amount was recovered at the instance of audit. The Dzongkhag Administration was recommended to initiate appropriate action on the officials concerned. **(AIN: OAAGPL-2023-408; Obs. No. 9)**

15. The Royal Bhutanese Consulate, Kolkata had a cash shortage of Nu. 0.041 million pertaining to the FY 2017-18. The amount was recorded as an advance against the former accountant of the Consulate, based on the handing/taking note. The observation was settled based on the recoveries made and action taken. **(AIN: SCD-2023-345; Obs. No. 1)**
16. The Gewog Administration, Balam under Mongar Dzongkhag had made an irregular payment of Nu. 0.035 million on account of transportation of electrical equipment from Thimphu to Balam. The RAA, on cross-verification of the vehicle movement orders, refuelling record and confirmation by the Gewog driver, found that the materials were actually transported in the Gewog utility vehicle. **(AIN: OAAGB-2023-429; Obs. No. 16.1)**
17. The Dzongkhag Administration, Haa had made inadmissible payment of Nu. 0.027 million in Construction of the Puduna Meeting Hall at Samar Gewog executed by the Community Contractor. It was found that the payment was made without executing the RRM Wall. The amount was recovered at the instance of audit. The Dzongkhag Administration was recommended to initiate appropriate action on the officials concerned. **(AIN: OAAGPL-2023-408; Obs. No. 10)**
18. The Milk Processing Unit (MPU) operated by Zambala Farmers Group in Norbugang Gewog under Pemagatshel Dzongkhag had a practice of depositing sales proceeds into the personal accounts of employees. The RAA raised concerns about possible misappropriation of funds and diffusion of accountability. The Dzongkhag Administration and Dungkhag Administration, Nganglam were requested to initiate further inquiry and investigation on the matter. **(AIN: OAAGSJ-2023-348; Obs. No. 4.3)**
19. The Bhutan Taxi Association (BTA) had maintained multiple Cash Receipt booklets with the same receipt numbers for booklets No. 101-200 (2 booklets), 401-500 (2 booklets), 501-600 (3 booklets), 601-700 (2 booklets), and 701-800 (2 booklets). The BTA was recommended to dispose of the duplicate Cash Receipt booklets and submit a disposal report signed by the committee to RAA for review. **(AIN: COAD-2024-36; Obs. No. 1)**

3.1.2 Agencies with Cases of Fraud and Corruption

Agency-wise fraud and corruption provided in **Table 1** shows that the Dzongkhag Administration, Pemagatshel including Dungkhag and Gewogs had the highest irregularities amounting to Nu. 4.738 million followed by Dzongkhag Administration, Samtse including Dungkhags and Gewogs with Nu. 3.891 million, representing 30.06% and 24.68% respectively.

Table 1. Agencies with cases of Fraud and Corruption with corresponding amount:

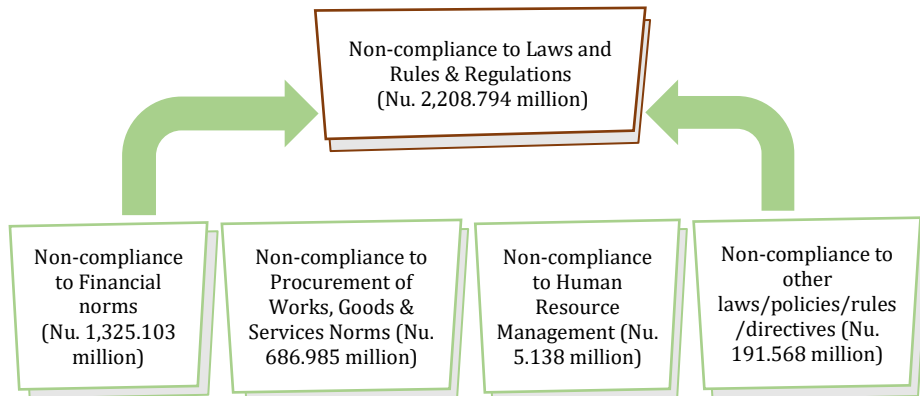
Sl. No.	Agency	Amount (Nu. in million)
1	Dzongkhag Administration, Pemagatshel including Dungkhag & Gewogs	4.738
2	Dzongkhag Administration, Samtse including Dungkhags & Gewogs	3.891
3	Thromde Administration, Thimphu	2.575
4	Dzongkhag Administration, Bumthang including Gewogs	1.501
5	State Trading Corporation of Bhutan Limited	1.206
6	Department of Education Programs, MoESD	1.063
7	Dzongkhag Administration, Dagana including Dungkhag & Gewogs	0.364
8	Dzongkhag Administration, Mongar including Dungkhag & Gewogs	0.277
9	Dzongkhag Administration, Haa including Dungkhag & Gewogs	0.107
10	Royal Bhutan Consulate, Kolkata, India	0.041
11	Bhutan Taxi Association	0.000
Grand Total		15.762

3.2 NON-COMPLIANCE TO LAWS, RULES AND REGULATIONS

The cases of non-compliance with laws, rules and regulations accounted for 55.76% of the total irregularities aggregating to Nu. 2,208.794 million. This category includes those irregularities arising from deviation from authorities such as acts, rules and regulations, policies, SOPs and agreements that govern the operation of agencies. The issues of non-compliance were reported based on the qualitative and quantitative aspects of issues that have potential to undermine the rule of law, which is one of the tenets of good governance. The overview of non-compliances reported for the period is shown in **Figure 4**.

Of the Nu. 2,208.794 million reported under Non-compliance to Laws, Rules and Regulations, the cases are segregated into four sub-categories: **non-compliance to financial norms** with Nu. 1,325.103 million; **non-compliance to procurement of works, goods & services norms** with Nu. 686.985 million; **non-compliance to human resource management** with Nu. 5.138 million; and **non-compliance to other laws/policies/rules/directives** with Nu. 191.568 million. The details are appended as **Annexures I & II**.

Figure 4: Overview of non-compliance to laws, rules & regulations



3.2.1 Significance Cases of Non-Compliance to Laws, Rules and Regulations

The significant cases of non-compliance detected during the period are summarised under four sub-categories.

A. Non-Compliance to Financial Norms

The significant cases of non-compliance to financial norms are summarized below:

1. The Kholongchhu Hydro Energy Limited (KHEL) had outstanding advances of Nu. 472.095 million against eight parties as on 31st December 2023. The RAA recommended to initiate settlement of the advances at the earliest. **(AIN: OAAGSJ-2024-90; Obs. No. 1)**
2. The Department of Infrastructure Development, MoIT had outstanding advances of Nu. 340.661 million against the contractors/agencies pertaining to FY 2021-22 and 2022-23 as on 31st December 2023. The RAA recommended to expedite the recovery/adjustments of the advances. **(AIN: ECD-2023-545; Obs. No. 3)**
3. The State Trading Corporation of Bhutan Limited (STCBL) had overdue trade receivables amounting to Nu. 328.732 million as on 31st December 2023. The RAA noted that some of the receivables have been due since 10 years. The RAA recommended the corporation to expedite the realization of the dues. **(AIN: COAD-2024-168; Obs. No. 3)**
4. The Natural Resources Development Corporation Limited (NRDCL), Phuentsholing had trade receivables of Nu. 109.144 million against contractors/dredgers and government organizations. The RAA recommended to review the Credit Policy specifically on the incorporation of the penalty clauses and regulate the debtors accordingly. **(AIN: OAAGPL-2024-117; Obs. No.1)**

5. The State Trading Corporation of Bhutan Limited (STCBL) had outstanding trade receivables of Nu. 67.873 million under the Eicher Division for the years 2020 to 2022 as on 30th June 2023. The RAA recommended to expedite the collection of the trade receivables. **(AIN: COAD-2023-208; Obs. No. 16)**
6. The Dzongkhag Administration, Trashiyangtse had booked expenditure of Nu. 46.777 million and retained under the Closed Work Account at the end of FY 2022-23 for various construction activities. The accounts were not settled as of the date of audit. The RAA recommended to expedite the completion of the works, settle the claims and submit the related documents to RAA for review and verification. **(AIN: OAAGSJ-2023-482; Obs. No. 1)**
7. The Department of Industry, MoICE had outstanding advances of Nu. 39.071 million against contractors and agencies pertaining to FY 2020-21 to 2021-22 as of December 2023. The RAA recommended to expedite the recovery/adjustments of the advances. **(AIN: ECD-2023-460; Obs. No. 1)**
8. The Bhutan Livestock Development Corporation Limited (BLDCL) had recoverable overdues of Nu. 31.843 million from the contract farmers as on 31st December 2023. The advances were released as support to farmers for inputs and feed costs, which were to be adjusted/recouped through farm products. The RAA recommended to expedite the realization of the dues. **(AIN: COAD-2024-260; Obs. No. 4)**
9. The Cabinet Secretariat had unadjusted PW Advance of Nu. 25.735 million against parties and employees as on 6th February 2024. The RAA recommended to expedite the settlement of advances. **(AIN: GCD-2023-563; Obs. No. 1)**
10. The Dzongkhag Administration, Dagana had booked expenditure of Nu. 25.033 million and retained under the Closed Work Account at the end of FY 2022-23 for various construction activities. The accounts were not settled as on date of audit. The RAA recommended the Dzongkhag to expedite the completion of works, settle the claims and furnish report to RAA. **(AIN: OAAGTS-2023-424; Obs. No. 4)**
11. The Regional Office, Natural Resources Development Corporation Limited (NRDCL), Jakar had outstanding receivables of Nu. 21.564 million as on 12th April 2024. The NRDCL was recommended to expedite recovery of the outstanding receivables and intimate RAA for further review. **(AIN: OAAGB-2024-141; Obs. No. 4)**
12. The Waste Management Flagship Program implemented by the Department of Environment & Climate Change, MoENR had outstanding advances Nu. 20.053 million against different parties as on 30th June 2023. The RAA recommended to expedite the recovery/adjustments of the advances. **(AIN: ECD-2023-456; Obs. No. 2)**

13. The Department of Air Transport (DoAT), Paro had not recouped the amount of Nu. 19.086 million from ADB funded Project 'Air Transport Connectivity Enhancement', for pre-financing project activities from the RGoB fund. The RAA recommended the Project Management to recoup the amount from the project and settle the accounts. *(AIN: ECD-2023-461; Obs. No. 2)*
14. The Regional Office, Bhutan Construction and Transport Authority (BCTA), Samdrup Jongkhar had unreconciled revenue of Nu. 17.410 million. The differences in the figures were due to mismatch of revenues recorded in RAMIS with that of sources reflected in eRaLIS. The RAA recommended to ascertain the accurate position. *(AIN: OAAGSJ-2023-480; Obs. No. 1)*
15. The Thromde Administration, Thimphu had outstanding dues of Nu. 17.402 million against M/s Greener Way after the expiry of the contract agreement and additional renewal of contract by three months until July 2023. The Bank Guarantee had expired and was not renewed till the date of audit in June 2023. The amount has remained unadjusted/unrecovered even after a lapse of more than four years after its initial release in 2019. The Thromde Administration was recommended to recover from the firm as per the agreed terms and conditions. *(AIN: SCID-2023-115; Obs. No. 3)*
16. The Dzongkhag Administration, Gasa had booked expenditure of Nu. 14.588 million and retained under the Closed Work Account at the end of FY 2022-23 for various construction activities. The accounts were not settled as on the date of audit. The RAA recommended the Dzongkhag to expedite the completion of works, settle the claims and furnish report to RAA. *(AIN: SCD-2023-393; Obs. No. 3.1)*
17. The Thromde Administration, Thimphu had made inappropriate payments of Nu. 14.336 million towards the reinstatement of the RCC Counterfort Wall damaged by a private building owner due to excavation near Druk School junction. The work was directly awarded to M/s Dash Group Construction without following procurement norms. The RAA recommended to investigate the issue and submit a detailed report for review and forming a final opinion. *(AIN: SCD-2024-74; Obs. No. 10)*
18. The Bhutan Postal Corporation Limited (BPCL) had not collected the rent of Nu. 10.497 million from various parties for leasing out building spaces at Phuentsholing. The RAA recommended to expedite the realization of the dues. *(AIN: COAD-2024-264; Obs. No. 1)*
19. The State Trading Corporation of Bhutan Limited (STCBL) had outstanding trade receivables of Nu. 10.100 million pertaining to Toyota Spare Parts and Services as on 30th June 2023. The RAA recommended to expedite the collection of the trade receivables. *(AIN: COAD-2023-208; Obs. No. 6)*

20. The Thromde Administration, Thimphu had made inadmissible payment of Nu. 8.991 million on the account of price escalation in the Infrastructure Development Works of Kawajangsa – Langjophaka area awarded to M/s TOB-DEN Construction Private Limited, Paro. The price escalation was approved based on the contractor's request to compensate for rising fuel prices. The RAA noted that the Tender Committee had approved the rate analysis before the commencement of work. Ideally, the price escalation or adjustment is entertained in accordance with the contract document in the event of rise or fall in material cost during the execution. Additionally, the quoted amount was found to be above the estimate, implying that the rise in cost was already factored in the rates offered. Thus, there was no basis for considering the price escalation payment. The RAA recommended to recover the inadmissible payment besides initiating appropriate action on the officials involved in approving the payment of price escalation. **(AIN: SCD-2024-74; Obs. No. 2)**
21. The Thromde Administration, Thimphu had made inadmissible payment of Nu. 8.154 million on the account of price escalation in the Infrastructure Development within Bebena – Samtenling Area awarded to M/s P. Gyeltshen Construction Private Limited. The price escalation was approved based on the contractor's request to compensate for rising fuel prices. The RAA noted that the Tender Committee had approved the rate analysis before the commencement of work. Ideally, the price escalation or adjustment is entertained in accordance with the contract document in the event of rise or fall in material cost during the execution. Additionally, the quoted amount was found to be above the estimate, implying that the rise in cost was already factored in the rates offered. Thus, there was no basis for considering the price escalation payment. The RAA recommended to recover the inadmissible payment besides initiating appropriate action on the officials involved in approving the payment of price escalation. **(AIN: SCD-2024-74; Obs. No. 4.2)**
22. The Dzongkhag Administration, Samdrup Jongkhar had not collected lease rent aggregating to Nu. 7.995 million from various agencies, parties and individuals. The RAA recommended the Dzongkhag to expedite the collection and settlement of outstanding lease rents. **(AIN: OAAGSJ-2023-494; Obs. No. 19)**
23. The Koufuku International Limited (KIL), Trashigang had outstanding sundry debtors of Nu. 7.387 million as on 28th February 2024. KIL was recommended to expedite the collection of outstanding receivables along with penalties as per the Credit Policy. **(AIN: OAAGSJ-2024-268; Obs. No. 1)**
24. The ADB funded Project 'Asia Pacific Vaccine Access Facility (Paretic Pfizer Vaccines)' implemented by the Ministry of Health had an unadjusted advance of Nu. 6.325 million (USD 84,000 @ Nu.75.3) against M/s Pfizer Company, India since July 2022. The RAA recommended to recover the advance and deposit into Audit Recoveries Account. **(AIN: SoCD-2023-554; Obs. No. 1)**

25. The Office of the Attorney General (OAG) had approved an ad-hoc master's program for one official under the ADA project without adhering to the project agreements. The expenditure of Nu. 5.851 million was incurred which was later not considered eligible for funding from the project. The RAA noted that the OAG had not followed proper process of selection of the candidate and also had not obtained necessary approvals from the RCSC and MoF. Later, the expenditure was met through a supplementary budget from the MoF with the condition that OAG would reimburse from its CD account. The RAA recommended to obtain ex-post facto approval from RCSC for nomination of the candidate and MoF for funding of the program. *(AIN: GCD-2023-372; Obs. No. 1.1)*
26. The Thromde Administration, Thimphu had made inadmissible payment of Nu. 5.120 million on account of price escalation in the Infrastructure Development within Upper Jungzhina Area awarded to M/s TOB-DEN Construction Private Limited. The price escalation was approved based on the contractor's request to compensate for rising fuel prices. The RAA noted that the Tender Committee had approved the rate analysis before the commencement of work. Ideally, the price escalation or adjustment is entertained in accordance with the contract document in the event of rise or fall in material cost during the execution. Additionally, the quoted amount was found to be above the estimate, implying that the rise in cost was already factored in the rates offered. Thus, there was no basis for considering the price escalation payment. The RAA recommended to recover the inadmissible payment besides initiating appropriate action on the officials involved in approving the payment of price escalation. *(AIN: SCD-2024-74; Obs. No. 3)*
27. The Department of Biomedical Engineering, NMS, MoH had not recovered the amount of Nu. 4.611 million on account of quarantine costs in the Construction of 150 Bedded Mother and Child Hospital. The RAA noted that the Department had paid Nu. 5.193 million as price adjustment for labourers as per the MoF notification in addition to Nu. 4.611 million already paid as compensation to the contractor for the cost of quarantine facilities while importing foreign labourers. Both were intended to compensate the contractor for the increase in minimum daily wages for the recruitment of the national workforce, recruitment of foreign labourers, and quarantine costs while recruiting foreign labourers. The RAA recommended to recover the compensated quarantine cost and deposit into Audit Recoveries Account. *(AIN: SoCD-2024-147; Obs. No. 14)*
28. The Thromde Administration, Thimphu had made inadmissible payment of Nu. 4.574 million on account of price escalation in the Construction of the Drain and Resurfacing Work of Road at Central Demkhong awarded to M/s TOB-DEN Construction Private Limited. The price escalation was approved based on the contractor's request to compensate for rising fuel prices. The RAA noted that the Tender Committee had approved the rate analysis before the commencement of work. Ideally, the price escalation or adjustment is entertained in accordance with the contract document in the event of rise or fall in material cost during the execution. Additionally, the quoted amount was found to be above the estimate, implying that the rise in cost was already factored in the rates offered. Thus, there

was no basis for considering the price escalation payment. The RAA recommended to recover the inadmissible payment besides initiating appropriate action on the officials involved in approving the payment of price escalation. **(AIN: SCD-2024-74; Obs. No. 1.1)**

29. The Thromde Administration, Gelephu had unadjusted outstanding amount of Nu. 4.085 million against the agency and contractor as on 22nd May 2024. The Thromde Administration was recommended to recover/adjust the outstanding advances and intimate RAA. **(AIN: OAAGTS-2024-178; Obs. No. 3)**
30. The Dzongkhag Administration, Gasa had booked expenditure of Nu. 3.022 million during the FY 2021-22 and retained under the Closed Work Account for various construction activities. The RAA noted that the activity of Bus Terminal Development at Kolikha town for which the expenditure of Nu. 0.303 million was booked, had not been started at all. The RAA recommended to expedite the completion of the and deposit the amount of Nu. 0.303 million into Audit Recoveries Account. **(AIN: SCD-2023-393, Obs. No. 3.2)**
31. The Rigsum Goenpa Restoration Project, Trashiyangtse had made irregular payment of Nu. 2.996 million towards the Supply and Installation of Ropeway Cable awarded to M/s Sherab Enterprise Private Limited, Paro. The RAA noted that the supply was awarded without proper drawings, specifications and Bill of Quantities (BoQ) due to which the RAA could not vouch for the expenditure and the value of works delivered. As recommended by the RAA, the Committee to review the work was constituted and report was furnished to RAA. However, the report did not address the issues raised by the RAA. **(AIN: OAAGSJ-2024-154; Obs. No.2)**
32. The State Trading Corporation of Bhutan Limited (STCBL) had outstanding trade receivables of Nu. 2.944 million under the TATA Division for the years 2020 to 2022 as on 30th June 2023. The RAA recommended to expedite the collection of trade receivables. **(AIN: COAD-2023-208; Obs. No. 11)**
33. The Eastern Regional Referral Hospital (ERRH), Mongar had a fund balance of Nu. 2.130 million (Nu. 2.006 million under Closed Work plus Nu. 0.124 million as retention money) for the Renovation of Staff Quarters at ERRH, Mongar. Since the work was terminated and no further expenditure was required to be made based on the Court Verdict, the amount should have been surrendered to the Department of Treasury and Accounts. The RAA recommended to obtain the release and deposit into Audit Recoveries Account. **(AIN: OAAGB-2024-209; Obs. No. 6.2)**
34. The Farm Machinery Corporation Limited (FMCL) had not recouped the amount of Nu. 1.635 million incurred for the Procurement and Installation of Drupthob Thongthong Gyalpo Statue. The expenditure was pre-financed from company funds and was supposed to be recouped from funds sourced from voluntary contributions. The procurement and installation of the statue were completed and

inaugurated on 19th August 2022. The RAA recommended to settle the accounts at the earliest. **(AIN: COAD-2023-515; Obs. No. 1)**

35. The 'Phuentsholing Township Development Project' had a case of non-adjustment of Cost for Reduced Depth of Pre-Cast Chambers amounting to Nu. 1.430 million. The pre-cast concrete rectangular chambers were cast as per the shop drawings issued by the Project Implementation Consultant (PIC) which did not meet the specification provided in the contract drawings for Type II category. The RAA recommended the Project Management to recover the amount/adjust from the subsequent running bills and administer the payment of balance chambers at adjusted rates. **(AIN: COAD-2024-32; Obs. No. 1.1)**
36. The Thromde Administration, Thimphu had made inadmissible payment of Nu. 1.223 million on account of price escalation in the Construction of Drainage System at Changangkha & Motithang Demkhung awarded to M/s Kipchu Construction. The price escalation was approved based on the contractor's request to compensate for rising fuel prices. The RAA noted that the Tender Committee had approved the rate analysis before the commencement of work. Ideally, the price escalation or adjustment is entertained in accordance with the contract document in the event of rise or fall in material cost during the execution. Additionally, the quoted amount was found to be above the estimate, implying that the rise in cost was already factored in the rates offered. Thus, there was no basis for considering the price escalation payment. The RAA recommended to recover the inadmissible payment besides initiating appropriate action on the officials involved in approving the payment of price escalation. **(AIN: SCD-2024-74; Obs. No. 5)**
37. The Royal Court of Justice, Supreme Court of Bhutan had made direct booking of advance of Nu. 1.037 million as expenses instead of recovering/adjusting from the Running Account (RA) bills in the Construction of Two Units of Drangpon's Residence at Paro, awarded to M/s KWM Construction Private Limited. The RAA recommended to initiate recovery of the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on officials concerned. **(AIN: GCD-2024-189; Obs. No. 1.1)**
38. The Azista Bhutan Healthcare Limited (ABHL), Motanga Industrial Park, Samdrup Jongkhar had made an inadmissible payment of House Rent Allowance amounting to Nu. 0.903 million in respect of 20 employees. The RAA noted that those employees were provided free accommodation in three rented apartment units resulting in double benefits. The ABHL was recommended to recover the amount and deposit into Audit Recoveries Account. **(AIN: OAAGSJ-2024-125; Obs. No. 1)**
39. The Bhutan Construction and Transport Authority (BCTA), MoIT had not recovered advances of Nu. 0.857 million in the Construction of an EV Charging Shed (Package 2 - Lhuentse, Mongar, Bumthang, Trongsa & Wangdue). The

amount was recoverable from M/s Kensom Construction upon termination of the contract. The case is sub-judice. **(AIN: ECD-2023-355; Obs. No. 2)**

40. The Dzongkhag Administration, Samdrup Jongkhar had outstanding advance of Nu. 0.853 million against M/s Chisam Lhendup Construction and Yeezheen Samphel Builder for the Construction of ICT laboratory at Lauri Primary School and Minjiwoong Central School. The advances had remained unadjusted even after the completion of works. The RAA recommended to expedite the settlement of the advances. **(AIN: OAAGSJ-2023-494; Obs. No. 2)**
41. The Sherubtse College, Kanglung had made inadmissible advance payments of Nu. 0.785 million to two staff members from the Institutional Development and CD account for personal use. Of this, Nu. 0.500 million pertained to the advance released in 2018. The College was recommended to conduct an inquiry into the irregular sanction of these advances and delayed recovery to ensure transparency and accountability, and to rule out the possibility of undue favour. **(AIN: OAAGSJ-2024-9; Obs. No. 8.1)**
42. The Bhutan Olympic Committee (BOC) had made inadmissible payment of Nu. 0.724 million in the Construction of BOC Building awarded to M/s Jigme Dorji Construction Private Limited. The RAA noted that while the price adjustment was applicable only on materials, the BOC had entertained for labour as well. The BOC was recommended to initiate recovery of the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on officials concerned. **(AIN: GCD-2023-479; Obs. No. 1.5)**
43. The 'Lingzhi Dzong Construction Project' had made a time-barred payment of Nu. 0.629 million for transportation of construction materials and rations for inmates and police personnel on duty. The RAA noted that the payment was made without approval from the appropriate authority. The RAA recommended Thimphu Dzongkhag to take action against the official concerned. **(AIN: SCD-2023-568; Obs. No. 1)**
44. The Gewog Administrations of Dopshari, Doteng, Lamgong, Shaba and Wangchang under Paro Dzongkhag had made a total excess payment of Nu. 0.587 million for the purchase of Backhoe Pay Loaders. The RAA noted that the payments were made at the quoted rate rather than the negotiated rate. The RAA also highlighted concerns about the underutilization of the machines due to lack of operational guidelines, trained operators, and budget. The RAA recommended to initiate recovery of the amount and putting in place the operational guidelines for utilization of the machines. **(AIN: SCD-2023-380; Obs. No. 17)**
45. The Dzongkhag Administration, Paro had made inadmissible payment of Nu. 0.551 million on account of salaries to employees on EOL. The amount of Nu. 0.138 million was recovered and deposited into Audit Recoveries Account. The RAA

recommended to initiate the recovery of balance Nu. 0.413 million and deposit into Audit Recoveries Account. **(AIN: SCD-2023-380; Obs. No. 2)**

46. The Thromde Administration, Thimphu had made inadmissible payment of Nu. 0.530 million on account of gratuity to an employee. The RAA noted that the payment was made to the employee who served eight years and five months despite the requirement by BCSR to serve a minimum of 10 years. While the amount was recovered, the Thromde Administration is yet to take appropriate action on the official concerned. **(AIN: SCD-2024-74; Obs. No. 12.1)**
47. The SAARC Business Association for Home Based Workers (SABAH) Bhutan had outstanding advances of Nu. 0.516 million against various parties and individuals as on 31st December 2022. The RAA recommended to initiate recovery/adjustment of the outstanding dues. **(AIN: COAD-2024-138; Obs. No.1)**
48. The Thromde Administration, Thimphu had made inadmissible payment of Nu. 0.494 million on account of price escalation in the Construction of the Retaining Wall at Kawangjangsa, Fixing of Chain Link Fencing and PCC Copping on the Retaining Wall awarded to M/s Cygel Construction. The price escalation was approved based on the contractor's request to compensate for rising fuel prices. Ideally, the price escalation or adjustment is entertained in accordance with the contract document in the event of rise or fall in material cost during the execution. The work was directly awarded based on the Department's estimated cost. Thus, there was no basis for considering the price escalation payment. The RAA recommended to recover the inadmissible payment besides initiating appropriate action on the officials involved in approving the payment of price escalation. **(AIN: SCD-2024-74; Obs. No. 6.1)**
49. The Bhutan Trust Fund for Environmental Conservation (BT FEC) had made inadmissible payment of Nu. 0.467 million on account of quarantine expenses incurred on labourers. The RAA noted that the payment was made in addition to the price adjustment for labour and material paid to the contractor. The RAA recommended to initiate recovery of the amount and deposit into Audit Recoveries Account. **(AIN: GCD-2024-4; Obs. No. 1)**
50. The Sherubtse College, Kanglung had not levied penalties of Nu. 0.445 million on account of late return of Library Books. The RAA noted that 19 lecturers had borrowed library books ranging from one to fourteen since 2019 and had not returned. The College was recommended to initiate recovery of the books and work out the penalties for late returns. **(AIN: OAAGSJ-2024-9; Obs. No. 11)**
51. The Bhutan Olympic Committee (BOC) had made excess payment of Nu. 0.377 million in the Construction of BOC Building awarded to M/s Jigme Dorji Construction Private Limited. The RAA noted that the analyzed rates were applied to ineligible items of work. The BOC was recommended to recover the amount and

initiate appropriate action on the officials concerned. *(AIN: GCD-2023-479; Obs. No. 1.1)*

52. The Dungkha Administration, Thrimshing under Trashigang Dzongkhag had made inadmissible payment of Nu. 0.369 million on account of salary to employees who separated from service. The RAA noted that the ECCD facilitator was officially relieved from her regular duty from 15th September 2021 but the Dungkha had continued paying her salary till June 2023. The RAA recommended the Dungkha to recover and deposit the amount into Audit Recoveries Account. *(AIN: OAAGSJ-2023-490; Obs. No. 5)*
53. The Gewog Administration, Bumdeling under Trashiyangtse Dzongkhag had booked expenditure of Nu. 0.329 million and retained under the Closed Work Account at the end of FY 2021-22. The accounts were not settled as on the date of audit. The RAA recommended the Dzongkhag to expedite the completion of the works, settle the claims and furnish report to RAA. *(AIN: OAAGSJ-2023-482; Obs. No. 30)*
54. The Dzongkhag Administration, Samdrup Jongkhar had a case of short recovery of Nu. 0.317 million on account of 20% penalty and 10% performance security on termination of the contract of Construction of Khewchung Losarling Gonpa at Pemathang awarded to M/s Yeshe Dendup Construction. The RAA recommended to initiate recovery and deposit into Audit Recoveries Account. *(AIN: OAAGSJ-2023-494; Obs. No. 13)*
55. The Secretariat, Dratsang Lhentshog had made excess payment of Nu. 0.268 million in the Construction of New Zhirim Lobdra at Samkhar under Tashigang Dzongkhag. The excess payment occurred due to non-deduction of RCC works from the quantities of Providing RRM in Foundation, Concrete Porous Brick Superstructure and also due to non-provision of items at site. The Secretariat was recommended to provide the items and submit the Work Completion Report duly verified by the Committee to RAA for review. *(AIN: SCD-2023-50; Obs. No. 9)*
56. The Regional Revenue and Customs Office, Phuentsholing had outstanding taxes (Business Income Tax/Corporate Income Tax) of Nu. 0.254 million from two business units. The RAA recommended to expedite the collection of outstanding taxes. *(AIN: OAAGPL-2024-132; Obs. No. 1)*
57. The Secretariat, Dratsang Lhentshog had made inadmissible payment of Nu. 0.246 million for items not provided at site in the Construction of Lam's Zimchu at Dangchu under Wangdue Rabdey. The Secretariat was recommended to provide the items and submit the Work Completion Report duly verified by the Committee to RAA for review. *(AIN: SCD-2023-50; Obs. No. 8)*
58. Ten Community Forests (CFs) under Pemagatshel Dzongkhag had not collected yearly membership fees amounting to Nu. 0.235 million from the community forest members. The RAA recommended the Community Forest Management

Groups to expedite collection and settlement of dues. *(AIN: OAAGSJ-2023-348; Obs. No. 10.2)*

59. The Thromde Administration, Thimphu had made inadmissible payment of Nu. 0.233 million on account of voucher allowances. The entitlement of voucher allowances was not admissible as per the Pay Revision Act 2019. The RAA recommended to initiate recovery of the amount and deposit into Audit Recoveries Account. *(AIN: SCID-2023-115; Obs. No. 8)*
60. The Sherubtse College, Kanglung had made inadmissible payment of repatriation benefits of Nu. 0.228 million to three officials on account of TA, transfer grants and transport charges for personal effects. These payments were made in violation of the RUB HRRR 2017 which requires two years of active service to be eligible for such benefits. The RAA recommended to initiate recovery of the amount and deposit into Audit Recoveries Account. *(AIN: OAAGSJ-2024-9; Obs. No. 4)*
61. The IFAD funded Project 'Commercial Agriculture Resilient and Livelihoods Enhancement Programme', Wengkhaz, Mongar had not deducted the rebate of Nu. 0.220 million offered by the contractor. The Project Management was recommended to recover the amount into Audit Recoveries Account besides initiating appropriate action on the officials concerned. *(AIN: OAAGB-2023-336; Obs. No. 1.1)*
62. The Ministry of Foreign Affairs and External Trade had outstanding PW Advances of Nu. 0.216 million against RMA as on 30th June 2023. The RAA recommended to initiate recovery/adjustment of the amount. *(AIN: SCD-2024-24; Obs. No. 2)*
63. The Dzongkhag Administration, Samdrup Jongkhaz had made inadmissible payment of Nu. 0.199 million on account of TA/DA. The RAA noted that the dates of travel claims did not match with the CPMS records indicating false claims. The RAA recommended to recover and deposit the amount into Audit Recoveries Account. *(AIN: OAAGSJ-2023-494, Obs. No. 5)*
64. The Sherubtse College, Kanglung had made inadmissible payment of Nu. 0.192 million as DSA for Ex-Country Travel to five employees. Full DSA payments were made for Ex-country travel to Colombo, Sri Lanka when meals were provided by the organizer. The College was recommended to furnish appropriate documents or initiate recovery. *(AIN: OAAGSJ-2024-9; Obs. No. 10)*
65. Tshelinggore Community Forest (CF) under Zobel Gewog, Pemagatshel Dzongkhag distributed the amount of Nu. 0.186 million among 31 CF members which was in violation of the CF By-laws. The RAA recommended to initiate recovery and deposit into CF Fund Account. *(AIN: OAAGSJ-2023-348; Obs. No. 10.10)*

66. The Dzongkhag Administration, Samdrup Jongkhar had made inadmissible payment of Nu. 0.181 million on account of House Rent Allowance (HRA). The RAA noted that the employees who were on long-term study leave were paid HRA in contravention of the BCSR 2018. The RAA recommended to recover and deposit the amount into Audit recoveries Account. **(AIN: OAAGSJ-2023-494; Obs. No. 4)**
67. The Dzongkhag Administration, Lhuentse had made payment of Nu. 0.146 million without supporting documents. The expenditure was reportedly incurred for the Procurement of Sound System and other miscellaneous activities. The RAA recommended to furnish the supporting documents to support the expenditure or to recover the amount. **(AIN: OAAGB-2023-450; Obs. No. 3)**
68. The Department of Macro-Fiscal and Development Finance, MoF had made inadmissible payment of Nu. 0.137 million on account of salary and remittance of employer's contribution of provident fund pertaining to officials on EOL. Though the amount was recovered, the Department was recommended to strengthen controls related to disbursement of salary and remittance. **(AIN: GCD-2023-406; Obs. No. 1)**
69. The Bhutan Cricket Council Board (BCCB) had made payment of Nu. 0.121 million based on photocopied bills and invoices. The RAA could not vouch for the expenditure in the absence of original bills and invoices. The BCCB was recommended to review the matter and furnish appropriate documents to RAA. **(AIN: GCD-2024-70; Obs. No. 2)**
70. The Secretariat, Dratsang Lhentshog had made inadmissible payment of Nu. 0.103 million for items not provided at site in the Construction of Principal Quarter at Dangchu Lobdra under Wangdue Rabdey. The Secretariat was recommended to provide the items and submit the Work Completion Report duly verified by the Committee to RAA for review. **(AIN: SCD-2023-50; Obs. No. 10.1)**
71. The Secretariat, Dratsang Lhentshog had not levied liquidated damages of Nu. 0.100 million in the Installation of Debri at Choedrak Goenpa under Trongsa Rabdey. The Secretariat was recommended to recover and deposit the amount into Audit Recoveries Account. **(AIN: SCD-2023-50; Obs. No. 6.1)**
72. The Community Forests (CFs) under Pemagatshel Dzongkhag had cases of irregular disbursement of loans to CF members and private individuals. The RAA also noted cases where loans were directly disbursed from the cash collections made without first depositing into the savings account. Most of the loans were sanctioned at the discretion of a few CF committee members with varying interest rates ranging from 2% - 4% per annum without proper repayment schedules coupled with poor monitoring and follow-up resulting in overdue outstanding loan amounts in most cases. **(AIN: OAAGSJ-2023-348; Obs. No. 10.1)**

B. Non-Compliance to Procurement Norms

The significant cases of non-compliance to procurement norms are summarised below:

1. The Punatsangchhu-II Hydroelectric Project (PHEP) had not received materials worth Nu. 150.000 million which was washed away by the flood even after a lapse of five years. As per the contract, M/s BHEL is responsible to replenish the washed-away materials. The PHEP-II was recommended to ensure that balance materials are received at the earliest, associated components assembled, erected, and handed over to PHEP-II before successful testing and commissioning of the generating units and furnish report to RAA. *(AIN: ECD-2024-104; Obs. No. 1)*
2. The Department of Tourism, MoICE had outstanding PW advances of Nu. 100.904 million against various parties as on 30th May 2024. The Department was recommended to follow up with relevant parties and expedite the adjustment/recovery of PW advances. *(AIN: ECD-2024-193; Obs. No. 2)*
3. The Department of Biomedical Engineering, NMS, MoH had made excess payment of Nu. 53.517 million to M/s Wangthang Construction Private Limited in the Construction of 150 Bedded Mother and Child Hospital. The RAA noted that the value of work done was enhanced as compared to the actual quantity of work executed at site. The RAA recommended to recover and deposit the amount into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. *(AIN: SoCD-2024-147; Obs. No. 1)*
4. The National Land Commission Secretariat (NLCS) had outstanding advance of Nu. 33.301 million as on 30th June 2023. The NLCS was recommended to expedite the settlement of advances. *(AIN: SoCD-2023-433; Obs. No. 3)*
5. The Department of Biomedical Engineering, NMS, MoH had made inadmissible payment of Nu. 9.359 million in the Construction of 150 Bedded Mother and Child Hospital awarded to M/s Wangthang Construction Private Limited. The RAA noted that for the substituted item of Supply & Installation of FRP components 3D FRP, the payments were made at the rates claimed by the contractor without assessing the reasonableness of the rates claimed before the variation work order was issued. The rates were claimed and accepted only after the completion of the work, which was in deviation from the Standard Bidding Document. On review of the rates claimed, it was noted that the contractor had included additional 16% for overhead cost and profit on the base rates which was inclusive of those components. Therefore, the rates claimed were not found to be justified. The RAA recommended to produce additional records and documents to justify the inclusion of additional overhead costs and profits. *(AIN: SoCD-2024-147; Obs. Nos. 18)*
6. The Department of Biomedical Engineering, NMS, MoH had made inadmissible payment of Nu. 9.263 million in the Construction of 150 Bedded Mother and Child

Hospital. The RAA noted that for the purpose of payment at analysed rates, items already included in the BoQ were considered deviations from procurement norms. The RAA recommended to recover and deposit the amount into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. **(AIN: SoCD-2024-147; Obs. No. 3)**

7. The Thromde Administration, Thimphu had outstanding parking fees of Nu. 9.000 million recoverable from M/s Lhaki Enterprise following the termination of their contract on 18th April 2023. The RAA recommended for recovery of the outstanding dues as per the terms of the contract. **(AIN: SCID-2023-115; Obs. No. 4.2)**
8. The Gewog Administration, Dophuchen under Samtse Dzongkhag had accepted substandard work on Arigang (Tarigoan) to Upper Mizomsa (Somlachen) Farm Road, completed at a cost of Nu. 7.620 million by M/s Shomop Construction, Paro. The RAA observed that approximately 200 meters of V-shaped PCC drains were constructed below the required technical specifications, with a thickness ranging from 50mm to 100mm instead of the specified 150mm. Scouring along the drains was also noted, indicating compromise in quality and durability. The RAA recommended the Gewog to initiate rectifications and furnish report to RAA. **(AIN: OAAGPL-2023-357; Obs. No. 27)**
9. The GEF funded Project 'Mainstreaming Biodiversity Conservation into Tourism Sector Project', implemented by the Department of Tourism, MoICE had outstanding PW advances amounting to Nu. 7.340 million against various parties as on 7th June 2024. The Project Management was recommended to follow up with relevant parties and expedite the adjustment/recovery of PW advances. **(AIN: ECD-2024-267; Obs. No. 1)**
10. The Department of Biomedical Engineering, NMS, MoH had made inadmissible payment of Nu. 7.090 million in the Construction of 150 Bedded Mother and Child Hospital awarded to M/s. Wangthang Construction Private Limited. The RAA noted that for the substituted item of Supply and Installation of uPVC Windows, the payments were made at the rates claimed by the contractor without assessing the reasonableness of the rates claimed before the variation work order was issued. The rates were claimed and accepted only after the completion of the work, which was in deviation from the Standard Bidding Document. On review of the rates claimed, it was noted that the contractor had included additional 16% for overhead and profit on the base rates which was inclusive of those components. Therefore, the rates claimed were not found to be justified. The RAA recommended to produce additional records and documents to justify the inclusion of additional overhead costs and profits. **(AIN: SoCD-2024-147; Obs. Nos. 15)**
11. The Dzongkhag Administration, Sarpang had not levied liquidated damages of Nu. 6.482 million from M/s Gayjur Construction Company Private Limited, Chukha for the delay in the completion of Widening and Improvement of Urban Roads at

Shompangkha (Sarpangtar). The RAA recommended to recover the amount and deposit into Audit Recoveries Account. **(AIN: OAAGTS-2024-109; Obs. No. 3.2)**

12. The Bhutan Olympic Committee (BOC) had not produced relevant documents to support the rate analysis payment of Nu. 6.356 million related to materials purchased and used in the Construction of BOC Office Building awarded to M/s Jigme Dorji Construction Private Limited. The RAA insisted on production of invoices and custom declaration details to validate the rates analyzed. **(AIN: GCD-2023-479; Obs. Nos. 1.6)**
13. The Thromde Administration, Thimphu had not forfeited performance security deposit of Nu. 6.000 million upon termination of the contract for Operation and Collection of Parking Fees awarded to M/s Lhaki Enterprise. The RAA recommended to initiate recovery from the party concerned as per the terms of the contract. **(AIN: SCID-2023-115; Obs. No. 4.1)**
14. The Department of Air Transport (DoAT), Paro had not renewed the Performance Guarantee of Nu. 5.987 million as per contract provision in the Construction of Runway End Safety Area (RESA) at Yonphula Domestic Airport awarded to M/s Norzang Construction Private Limited. The performance guarantee of 10% of Contract Price was valid only up to 9th April 2023 and had expired without completion of the work. The RAA recommended to renew the guarantee to safeguard against associated risks. **(AIN: ECD-2024-87; Obs. No. 1.1)**
15. The Koufuku International Limited (KIL) Trashigang had a case of supply of ingredients for dairy products by the supplier not holding a business license relevant to supply of those ingredients. The RAA noted that the enterprise named M/s Phuentsholing Book Stores and Stationery had supplied ingredients for dairy products worth Nu. 5.689 million during the year 2023. The RAA recommended the company to confirm the legitimacy of the supplier's license to supply goods not related to the authorized business activities. **(AIN: OAAGSJ-2024-268; Obs. No. 2)**
16. The Gewog Administration, Namgaycholing under Samtse Dzongkhag had accepted substandard works in the Improvement of GC Road completed at the cost of Nu. 4.799 million which was executed by M/s TKW Construction, Punakha. The RAA noted that the required thickness of 25mm Asphalt/Bituminous concrete was not maintained along the stretch of the road. As per visual inspection, the contractor had executed only one layer of providing & laying Asphalt/Bituminous concrete, with an approximate thickness not exceeding 20mm on average, over the existing BT works. The RAA recommended to initiate rectification of the work and furnish report to RAA. **(AIN: OAAGPL-2023-357; Obs. No. 41.2)**
17. The Bhutan Construction and Transport Authority (BCTA), MoIT had outstanding PW advances of Nu. 4.538 million against four contractors as on 30th June, 2023. The BCTA was recommended to expedite the recovery. **(AIN: ECD-2023-355; Obs. No. 6)**

18. The Department of Biomedical Engineering, NMS, MoH had not obtained the testing and commissioning report of DG Set Synchronizing Panel and BMS System included in the Construction of 150 Bedded Mother and Child Hospital which was completed at the cost of Nu. 4.023 million. The RAA expressed concerns about the operational readiness and functionality without the commissioning report. The RAA recommended to furnish the testing and commissioning reports for both the DG Set Synchronizing Panel and the BMS System. *(AIN: SoCD-2024-147; Obs. No. 20)*
19. The Gewog Administration, Jurmey under Mongar Dzongkhag had made payment of Nu. 3.790 million for the construction of an entire stretch of 3,845 meters of Farm Road from Tsegpa to Chuomsa on account of machine hire charges to M/s Larjab Hiring. As inferred from the Minutes of Meeting of Gewog Tshogde, the work was reportedly not completed. The RAA recommended to pursue either completion of the work or to recover the amount besides initiating appropriate actions on the officials concerned. *(AIN: OAAGB-2023-429; Obs. No. 19)*
20. The Dzongkhag Administration, Tsirang had not realized the amount of Nu. 3.683 million on account of liquidated damages and penalty of 20% on the value of incomplete works on termination of the contract of Construction of Four-unit Staff Quarters at Mendrelgang Central School awarded to M/s Shakshing Goenpa Construction Private Limited, Thimphu. The RAA recommended to recover and deposit the amount into Audit Recoveries Account. The case is under arbitration. *(AIN: OAAGTS-2023-513; Obs. No. 1.3)*
21. The Department of Biomedical Engineering, NMS, MoH had made inadmissible payment of Nu. 3.427 million in the Construction of 150 Bedded Mother and Child Hospital awarded to M/s Wangthang Construction Private Limited. The RAA noted that for the substituted item of Supply and Installation of uPVC Windows, the payments were made at the rates claimed by the contractor without assessing the reasonableness of the rates claimed before the variation work order was issued. The rates were claimed and accepted only after the completion of the work, which was in deviation from the SBD. On review of the rates claimed, it was noted that the contractor had included additional 16% for overhead and profit on the base rates which was inclusive of those components. Therefore, the rates claimed were not found to be justified. The RAA recommended to produce additional records and documents to justify the inclusion of additional overhead costs and profits. *(AIN: SoCD-2024-147; Obs. No. 16)*
22. The Gewog Administration, Drujeygang under Dagana Dzongkhag had overdue PW Advances of Nu. 3.338 million as on 30th June 2023 against various individuals and Pelri Lhaxhang Construction. The outstanding PW advances pertained to the FY 2021-22. The Gewog was recommended to initiate recovery/adjustment of the outstanding advances and furnish the updated status to RAA. *(AIN: OAAGTS-2023-424; Obs. No. 12)*

23. The Thromde Administration, Thimphu had not recovered the cost of 466 barrels of Bitumen amounting to Nu. 3.264 million from various contractors and parties. The RAA noted that some of the cases had been outstanding for more than three years. The Thromde Administration was recommended to recover the outstanding amount and deposit into Audit Recoveries Account. **(AIN: SCID-2023-115; Obs. No. 13)**
24. The Department of Infrastructure Development, MoIT had made inadmissible payment of Nu. 3.256 million in the Construction of Quarantine Centres of Damdum, Amochu, Motanga and Dekiling awarded to various contractors. The lapses had occurred due to payment for 12.5mm Gypsum Board which was found not executed at site. Although the amount was recovered and deposited into Audit Recoveries Account, the Department is yet to initiate appropriate action on the officials concerned. **(AIN: ECD-2023-545; Obs. No. 1.1)**
25. The Department of Air Transport (DoAT), Paro had accepted stone boulders worth Nu. 3.198 million not conforming to the specification of gabion wall in the Runway Resurfacing, Extension and related works in Bumthang Domestic Airport awarded to M/s Penjor Construction Private Limited. The boulders used for the above item of work were all river stones rather than being sourced from an approved quarry. The RAA expressed concerns on the structural integrity of the walls due to use of different specifications of stones. However, as the construction was already completed, the management agreed to recover the transportation cost of Nu. 1.490 million from the contractor. **(AIN: ECD-2024-87; Obs. No. 2.1)**
26. The ADB funded Project 'Air Transport Connectivity Enhancement', implemented by DoAT, Paro had made unjustified payment of Nu. 3.070 million in the Construction of Terminal Building at Bumthang Domestic Airport awarded to M/s Rinson Construction Private Limited. The lapses had occurred due to non-preparation of rate analysis for change in specification of item K10 insulation soffit board which was changed to XPS insulation. The Project Management was recommended to conduct a detailed rate analysis for XPS insulation foam to ascertain the cost difference and initiate recovery of the difference amount. **(AIN: ECD-2023-461; Obs. No. 1.6)**
27. The Bhutan Olympic Committee (BOC) had not recovered the amount of Nu. 2.818 million from the contractor upon termination of the contract of Construction of the Museum and Pavilion at Changbangdu, Thimphu funded by GoI which was awarded to M/s Woezer Builders. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. **(AIN: GGD-2023-359; Obs. No. 2.1)**
28. The Regional Office, Department of Surface Transport, Trashigang had not levied liquidated damages of Nu. 2.421 million in the Construction of Duksum and Tshergom Bridges along Chazam – Trashiyangtse Primary National Highway awarded to M/s East West Construction Private Limited. The RAA noted that the Regional Office had granted a time extension of 39 days on account of 'Redoing

Damaged Work' and 'Delay due to Stressing Equipment' which was not justified. The RAA recommended to initiate recovery of the amount and deposit into Audit Recoveries Account. **(AIN: OAAGSJ-2023-405; Obs. No. 5.2)**

29. The Punatsangchhu-II Hydroelectric Project (PHEP) had made excess payments of Nu. 2.209 million due to application of incorrect weighted average based on square meters instead of volume of excavation (cum) in the rate analysis for item 1.1.1 ii) 'Excavation in tunnelling by conventional method' in the Head Race Tunnel. The RAA pointed out the necessity to revise the methods of rate analysis using the correct weighted average as used in rate analysis of the same item at Additional Surge Tunnel. The Project Management was advised to revisit the approved rate analysis and recover/adjust the amount from the contractor's bills. **(AIN: ECD-2024-104; Obs. No. 13)**
30. The Department of Health Services, MoH had made overpayment of Nu. 2.130 million in the acquisition of the Kelki School at Yonphula, Trashigang due to overvaluation of the number of rooms for the Girls' Hostel. The RAA noted that the Project Management had wrongly recorded the number of rooms as 272 instead of 207. The overpayment was netted off with the unclaimed items of work executed and the Department is yet to take appropriate action on the valuation team. **(AIN: SoCD-2024-195; Obs. No. 1)**
31. The Construction Development Corporation Limited (CDCL), Corporate Office had a case of non-deduction of 7.5% voids on purchase of different sizes of stone aggregates amounting to Nu. 1.860 million from numerous private crushing units and stone quarries. The CDCL was recommended to provide documentary evidence of rates being arrived at after negotiations. **(AIN: COAD-2024-34; Obs. No. 1.1)**
32. The Bhutan Cricket Council Board (BCCB) had not renewed Bank Guarantee for the unadjusted mobilization advance of Nu. 1.756 million in the Construction of Pavilion at Gelephu International Cricket Ground awarded to M/s Norzea Construction Private Company. The RAA recommended the Board to immediately renew the validity of the Bank Guarantee to safeguard against any risk that might arise. **(AIN: GCD-2024-70; Obs. No. 1.2)**
33. The Department of Biomedical Engineering, NMS, MoH had made inadmissible payment of Nu. 1.698 million in the Construction of 150 Bedded Mother and Child Hospital awarded to M/s Wangthang Construction Private Limited. The RAA noted that for the substituted item of Supply & Installation of FRP components 3D FRP, the payments were made at the rates claimed by the contractor without assessing the reasonableness of the rates claimed before the variation work order was issued. The rates were claimed and accepted only after the completion of the work, which was in deviation from the Standard Bidding Document. On review of the rates claimed, it was noted that the contractor had included additional 16% for overhead and profit on the base rates which was inclusive of those

components. Therefore, the rates claimed were not found to be justified. The RAA recommended to produce additional records and documents to justify the inclusion of additional overhead costs and profits. **(AIN: SoCD-2024-147; Obs. Nos. 17)**

34. The 'Rigsum Goenpa Restoration Project', Trashiyangtse had made excess procurement of 18,786.61 kgs of TMT bars worth Nu. 1.616 million. The RAA noted that the materials were lying idle at site after being cut and bent into various sizes. The RAA recommended to salvage the value or to put to effective use and furnish report of utilisation/disposal to RAA. **(AIN: OAAGSJ-2024-154; Obs. No. 1)**
35. The Thromde Administration, Thimphu had not levied liquidated damages of Nu. 1.511 million for the delay in the completion of Construction of Two MLD Water Treatment Plant at Ngabirongchu awarded to M/s E.W Construction Private Limited. The RAA recommended to levy liquidated damages and deposit them into Audit Recoveries Account besides taking action on the official concerned. **(AIN: SCD-2024-74; Obs. No. 7.3)**
36. The Construction Development Corporation Limited (CDCL), Corporate Office had a case of non-deduction of 5% voids on purchase of sands amounting to Nu. 1.420 million from the private crushing units and stone quarries. The CDCL was recommended to provide documentary evidence of rates being arrived at after negotiations. **(AIN: COAD-2024-34; Obs. No. 1.2)**
37. The Regional Immigration Office (RIO), Phuentsholing had outstanding PW advances of Nu. 1.313 million against the employees since FY 2021-22. The case is sub-judice. **(AIN: OAAGPL-2024-53; Obs. No. 1)**
38. The Regional Office, Department of Surface Transport (DoST), Lingmethang had not levied liquidated damages of Nu. 1.181 million for the delay in completing the Improvement of Talingthang to Dramaling PNH (Package-V) project. The RAA recommended to levy liquidated damages and deposit them into Audit Recoveries Account. **(AIN: OAAGB-2024-42; Obs. No.1.2)**
39. The Eastern Regional Referral Hospital (ERRH), Mongar had not recovered the excess payment of Nu. 1.158 million from the contractor as per the court verdict in the Renovation of Staff Quarters at ERRH, Mongar. The RAA recommended to initiate recovery of the amount from the contractor at the earliest. **(AIN: OAAGB-2024-209; Obs. No. 6.1)**
40. The Dzongkhag Administration, Sarpang had not levied liquidated damages of Nu. 1.141 million for the delay in the completion of the Construction of Irrigation Channel (Mongar Kulo) under Samtenling Gewog which was awarded to M/s Iron K. Builders, Sarpang. The RAA recommended to recover the amount deposit into Audit Recoveries Account. **(AIN: OAAGTS-2024-109; Obs. No. 4.2)**

41. The Dzongkhag Administration, Samtse had accepted the supply of bunk beds valuing Nu. 1.076 million which did not conform to the design and specification provided by the School Planning and Building Division. The bunk beds were supplied to Norbugang Central School by M/s Panglung Enterprise, Thimphu. The RAA recommended the Dzongkhag to re-supply as per the School Planning and Building Division (SPBD) code BE02 or initiate recovery of the difference amount. **(AIN: OAAGPL-2023-357; Obs. No. 12)**
42. The Gewog Administration, Dumtoed under Samtse Dzongkhag had made excess payments of Nu. 1.064 million in the Construction of Gewog Office and Lamai Zimchung awarded to M/s Meri Construction, Chhukha. The excess payment had occurred due to payment for works not executed at site, double entries of items of work in the bill/MB, and acceptance of inflated quantities for some items of work. The RAA recommended to initiate recovery of the amount and deposit into Audit Recoveries Account. **(AIN: OAAGPL-2023-357; Obs. No. 26.1)**
43. The Bhutan Cricket Council Board (BCCB) had not deducted 10% retention money of Nu. 1.040 million in the Construction of Pavilion at Gelephu International Cricket Ground awarded to M/s Norzea Construction Private Company. The RAA recommended to initiate recovery/adjustment of the amount besides initiating appropriate actions on the officials concerned. **(AIN: GCD-2024-70; Obs. No. 1.1)**
44. The Gewog Administration, Ramjar under Trashiyangtse Dzongkhag had a case of construction of Lhaxhang on private land at Romang Chiwog which was completed at the cost of Nu. 0.994 million. The RAA noted that such arrangements were not finalized through a formal agreement which may give rise to future complications about the ownership and use. However, the Gewog reported that the transfer of ownership was in process which the RAA also recommended to expedite. **(AIN: OAAGSJ-2023-482; Obs. No. 55)**
45. The Dzongkhag Administration, Dagana had not recovered the amount of Nu. 0.973 million on account of excess payment made and 20% of the value of the incomplete works on terminating the contract with M/s Bumzang Builders, Zhemgang for the Construction of Farm Road at Dorona Choongwa Chiwog under Dorona Gewog due to fundamental breach of contract. The RAA recommended to initiate recovery and deposit into Audit Recoveries Account. **(AIN: OAAGTS-2023-424; Obs. No. 3)**
46. The Bhutan Olympic Committee (BOC) had not renewed the Bank Guarantee of Nu. 0.948 million in the Construction of Museum and Pavilion at Changbangdu, Thimphu funded by GoI which was awarded to M/s Woezer Builders. The RAA recommended to renew the Bank Guarantee to safeguard from any risks that might arise. **(AIN: GGD-2023-359; Obs. No. 2.2)**
47. The Gewog Administration, Bumdeling under Trashiyangtse Dzongkhag had a case of allowing construction of Choekhang on a private land at Cheng Chiwog

which was completed at the cost of Nu. 0.880 million. The RAA noted that such arrangements were not finalized through a formal agreement which may give rise to future complications about the ownership and use. However, the Gewog reported that the transfer of ownership was in process which the RAA also recommended to expedite. **(AIN: OAAGSJ-2023-482; Obs. No. 35)**

48. The Sherubtse College, Kanglung had unadjusted advances of Nu. 0.855 million against 15 employees on account of research, tour and purchase of gifts as on 22nd December 2023. The College was recommended to recover the amount and deposit into Audit Recoveries Account. **(AIN: OAAGSJ-2024-9; Obs. No. 8.3)**
49. The Gewog Administration, Bumdeling under Transhiyangtse Dzongkhag had outstanding PW advances of Nu. 0.828 million against the individuals and contractor as on 30th June 2023. The advances pertained to previous years. The RAA recommended the Gewog to initiate recovery/adjustment besides regulating the payment/adjustments of advances strictly in accordance with FRR 2016. **(AIN: OAAGSJ-2023-482; Obs. No. 33)**
50. The Dzongkhag Administration, Thimphu had not recovered the secured advance Nu. 0.821 million from M/s Kintu Zangpo Construction, Wangdue for the Construction of a Day Toilet at the then Genekha Lower Secondary School despite termination of the contract. The RAA recommended to recover and deposit the amount into Audit Recoveries Account. **(AIN: SCD-2023-412; Obs. No. 9.4)**
51. The Dzongkhag Administration, Thimphu had made excessive purchases of GI Pipes worth Nu. 0.723 million in the Construction of Water Supply at Kuenselphodrang which was executed departmentally by engaging a labour contractor. The RAA noted that the dealing site engineer had not prepared detailed theoretical material consumption resulting in excessive procurement. The Dzongkhag Administration was recommended to constitute an appropriate committee and to carry out proper handing and taking over of all remaining construction materials for the ongoing Water Supply activities and furnish the utilization report to RAA. **(AIN: SCD-2023-412; Obs. No. 15.2)**
52. The Dzongkhag Administration, Paro had made excess payment of Nu. 0.711 million in the Construction of a Vegetable Market Shed and Maintenance of Existing Toilet at Tshongdue, Paro awarded to M/s Lotey Construction. The excess payments had occurred due to differences in the quantities of brickwork and roof trusses paid for and actually provided at site. **(AIN: SCD-2023-380; Obs. No. 10.1)**
53. The Food Corporation of Bhutan Limited (FCBL), Phuentsholing had not collected lease rent of Nu. 0.696 million from the 25 commercial units as of 12th April 2024. The FCBL was recommended to recover the outstanding lease rent and deposit into Audit Recoveries Account. **(AIN: OAAGPL-2024-115; Obs. No. 1)**
54. The Bhutan Olympic Committee (BOC) had made excess payment of Nu. 0.647 million in the Construction of BOC Office Building awarded to M/s Jigme Dorji

Construction Private Limited. The lapses had occurred due to differences in the quantities executed at site and paid for. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the officials concerned. **(AIN: GCD-2023-479; Obs. No. 1.2)**

55. The Gewog Administration, Gesarling under Dagana Dzongkhag had overdue PW Advances of Nu. 0.541 million as on 30th June 2023 against M/s Namsey UG Construction and Trashithang Community Contract. The outstanding PW advances pertained to the FY 2021-22. The Gewog was recommended to initiate recovery/adjustment of the outstanding advances and furnish the updated status to RAA. **(AIN: OAAGTS-2023-424; Obs. No. 13)**
56. The Department of Infrastructure Development, MoIT had made excess payment of Nu. 0.433 million in the Construction of Quarantine Centres of Damdum, Amochu, Motanga and Dekiling. The lapses had occurred due to acceptance of MS square hollow sections railing and payment made for Stainless railing. Although the amount was recovered and deposited into Audit Recoveries Account, the Department is yet to initiate appropriate action on the officials concerned. **(AIN: ECD-2023-545; Obs. No. 1.2)**
57. The Construction Development Corporation Limited (CDCL), Corporate Office had a case of non-deduction of 15% voids of Nu. 0.430 million on the purchase of boulders from the private crushing units and stone quarries. The CDCL was recommended to provide documentary evidence of rates being arrived at after negotiations. **(AIN: COAD-2024-34; Obs. No. 1.3)**
58. The Royal Court of Justice, Supreme Court of Bhutan had not deducted material advances of Nu. 0.421 million from Running Account Bills in the Construction of Two Units of Drangpon's Residence at Paro which was awarded to M/s KWM Construction Private Limited. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on officials concerned. **(AIN: GCD-2024-189; Obs. No. 1.2)**
59. The Bhutan Olympic Committee (BOC) had made excess payment of Nu. 0.415 million in the Construction of BOC Office Building awarded to M/s Jigme Dorji Construction Private Limited. The RAA noted that the payment for woodwork was made at rates applicable for higher specifications. The RAA recommended to recover the difference amount and deposit into Audit Recoveries Account besides initiating appropriate action on the officials concerned. **(AIN: GCD-2023-479; Obs. No. 1.7)**
60. The Dzongkhag Administration, Thimphu had made excess payment of Nu. 0.406 million to a Labour Contractor in the Construction of Water Supply at Kuenselphodrang executed departmentally. The excess payment had occurred due to application of different rates while making payment. The RAA recommended to recover the amount and deposit into Audit Recoveries Account. **(AIN: SCD-2023-412; Obs. No. 15.1)**

61. The Regional Pig & Poultry Breeding Centre, Lingmethang, Mongar had made excess payment of Nu. 0.374 million to M/s Karma Feeds in the procurement of animal feeds. The RAA noted that the payment made was more than the bill amount. The RAA recommended to recover the amount and deposit into Audit Recoveries Account. **(AIN: OAAGB-2024-77; Obs. No. 1)**
62. The Department of Biomedical Engineering, NMS, MoH had made excess payment of Nu. 0.350 million in the Construction of 150 Bedded Mother and Child Hospital. The excess payment had occurred due to payment at inflated rates for some items of work. The RAA recommended to recover and deposit the amount into Audit Recoveries Account. **(AIN: SoCD-2024-147; Obs. Nos. 10 & 11)**
63. The Gewog Administration, Namgaycholing under Samtse Dzongkhag had made excess payment of Nu. 0.279 million in the Construction of Permanent Structures and Road Amenities at Kalikhola awarded to M/s Ganesh Construction, Thimphu. The excess payment had occurred due to differences in the quantities of RRM Wall paid for and actually executed at site. The RAA recommended to recover and deposit the amount into Audit Recoveries Account. **(AIN: OAAGPL-2023-357; Obs. No. 43)**
64. The Regional Office, Natural Resources Development Corporation Limited (NRDCL), Jakar had made excess payment of Nu. 0.268 million due to execution of different specifications of work items. It was noted that in place of the RRM wall, a boulder barrier wall was constructed at the site and the payment was made for RRM wall. The NRDCL was recommended to work out the difference in cost and initiate recovery of the amount. **(AIN: OAAGB-2024-141; Obs. No. 1.2)**
65. The Gewog Administration, Maenbi under Lhuentse Dzongkhag had not levied liquidated damages of Nu. 0.247 million in the Construction of Tshamkhang at Pelri Goenpa awarded to M/s KLD Construction. The work was delayed by 511 days for which the contractor was liable for maximum liquidated damages of 10% of the contract price as per the contract agreement. The RAA recommended to recover the amount and deposit into Audit Recoveries Account. **(AIN: OAAGB-2023-450; Obs. No. 21)**
66. The Gewog Administration, Dumtoed under Samtse Dzongkhag had made excess payments of Nu. 0.208 million in the Construction of the Gewog Office and Lamai Zimchung awarded to M/s Meri Construction, Chhukha. The excess payment had occurred due to non-deductions of RA bill amount from the final bill. The RAA recommended to initiate recovery of the amount and deposit into Audit Recoveries Account. **(AIN: OAAGPL-2023-357; Obs. No. 26.2)**
67. The Gewog Administration, Dopshari under Paro Dzongkhag had made payment for work not executed at site amounting to Nu. 0.200 million to the Community Contractor in the Maintenance of Irrigation Channel and Construction of Boulder

Barrier Dam at Jeshitsawa. The RAA recommended the Gewog to complete the pending maintenance works, reconstruct the damaged section of the boulder barrier dam and furnish the completion report to RAA. **(AIN: SCD-2023-380; Obs. No. 18)**

68. The Dzongkhag Administration, Chhukha had outstanding PW Advances of Nu. 0.188 million against an individual and a construction firm. The advances were paid in the FY 2019-20 and had remained unsettled despite completion of Works/Activities. The RAA recommended the Dzongkhag to initiate adjustment/recovery of the outstanding advances besides regulating the payment/adjustments of advances strictly in accordance with FRR 2016. **(AIN: OAAGPL-2023-374; Obs. No. 3)**
69. The Bhutan Olympic Committee (BOC) had made excess payment of Nu. 0.153 million in the Construction of BOC Office Building awarded to M/s Jigme Dorji Construction Private Limited. The RAA noted that the contractor had used a multiplication factor of 1.3 instead of 0.8 admissible for painting works. The RAA recommended to recover the amount and deposit into Audit Recoveries Account and initiate appropriate action on the officials concerned. **(AIN: GCD-2023-479; Obs. No. 1.3)**
70. The Department of Biomedical Engineering, NMS, MoH had made excess payment of Nu. 0.125 million in the Construction of 150 Bedded Mother and Child Hospital. The RAA noted that payments for 110mm dia uPVC downpipe were paid at an inflated rate. The RAA recommended to recover and deposit the amount into Audit Recoveries Account. **(AIN: SoCD-2024-147; Obs. No. 13)**
71. The Gewog Administration, Dopshari under Paro Dzongkhag had made payment of Nu. 0.125 million for works not executed at site in the Maintenance of Lungsigang to Jashigang Farm Road awarded to the Community Contractor. The RAA recommended the Gewog to either complete the work or initiate recovery of the amount. **(AIN: SCD-2023-380, Obs. No. 19)**
72. The Department of Surface Transport (DoST), MoIT had not levied liquidated damages of Nu. 0.115 million for delay in the submission of final Detailed Project Report (DPR) by M/s Gyeltshen Consultancy for the Construction of Road from Sherichhu to Gongrizomsa. The RAA recommended to recover the amount and deposit into Audit Recoveries Account. **(AIN: ECD-2023-541; Obs. No. 1)**
73. The ADB funded Project 'Air Transport Connectivity Enhancement', implemented by DoAT, Paro had not installed the specified work items of four Fire Pumps under the Fire Hydrant System executed under Construction of Terminal Building at Bumthang Domestic Airport awarded to M/s Rinson Construction Private Limited. Further, the RAA also noted that the testing and commissioning process to ensure the functionality of fire pumps was not completed. The Project Management was recommended to initiate immediate replacement of pumps as per the desired

specification, besides completing the testing and commissioning process. **(AIN: ECD-2023-461; Obs. No. 1.5)**

74. The ADB funded Project 'Air Transport Connectivity Enhancement', implemented by DoAT, Paro had not executed the work items of providing and fixing door as per the specification under the Construction of Terminal Building at Bumthang Domestic Airport awarded to M/s Rinson Construction Private Limited. The RAA noted instances of missing door fittings such as *lever door handles, keyholes, flush bolts, deadbolts, panic exit devices and 3-5mm THK SS plates* at toilet doors. The Project Management was recommended to provide the missing door fittings and furnish the rectification report to RAA. **(AIN: ECD-2023-461; Obs. No. 1.7)**
75. The Bhutan Construction and Transport Authority (BCTA), MoIT has not worked out the actual recoveries to be made on termination of the contract of Construction of EV Charging Shed (Package 3 - Gasa, Tsirang and Dagana) awarded to M/s Sangay L Construction Private Limited. There were no working details of recoveries relating to 20% of value of works not executed. The RAA insisted on detailed workings of the recoverable amount. **(AIN: ECD-2023-355; Obs. No. 3)**
76. The Secretariat Services, MoAL had a case of underutilization of Pack House Structure at Chimipang Royal Project, Punakha due to exclusion of electrical and water supply works in the drawing and estimates. The Project Management was recommended to consult with the Secretariat, MoAL for provision of electrical and water facilities to avoid underutilization of the structure. **(AIN: ECD-2023-416; Obs. No. 1.8)**
77. The Punatsangchhu-II Hydroelectric Project (PHEP) had made erroneous conversion from cubic meters to metric tons for Item 8.4.2 i: Sand at Tail Race Tunnel in Contract Package C3 (Powerhouse). The measurement for payment of sand was recorded in the Unit Weight whereas, for the purpose of carrying out the Rate Analysis, calculation to convert cubic meter to metric ton (at cell F53) was not applied as per the applicable formula. The PHEP-II was recommended to initiate a new rate analysis as per audit observation which was accepted by the Project Management and recover any excess payment made to the contractor. **(AIN: ECD-2024-104; Obs. No. 11.1)**
78. The Punatsangchhu-II Hydroelectric Project (PHEP) had made an overstatement of rate in the rate analysis for the Fore Pole 32mm dia at the Tail Race Tunnel. The average time taken for installation of the eight-meter length of Fore pole was originally calculated at 0.48 hours but should be adjusted to 0.36 hours based on a six-meter average length taken for rate analysis. Hence, drilling and installation length increases to 10.86 meters per hour. Consequently, the machinery cost for the Tipper is Nu. 1,389 for transporting 300 Rm in 0.25 hours. This resulted in a cost of Nu. 12.57 for transporting 10.86 meters of Fore pole to site. The PHEP-II was recommended to initiate a new rate analysis as per audit observation and

recover excess payment made to the contractor. **(AIN: ECD-2024-104; Obs. No. 11.2)**

79. The Punatsangchhu-II Hydroelectric Project (PHEP) had made erroneous conversion of cubic meters to metric tons (MT) in Rate Analysis for Item No. 8.4.2 (Sand & Bentonite). The project mistakenly multiplied the conversion factor of 1.602 instead of dividing resulting in inflation of rate from Nu. 919 per MT to Nu. 1,376 per MT. The Project Management was recommended to revise the rate analysis and notify the contractor. **(AIN: ECD-2024-104; Obs. No. 12)**
80. The Punatsangchhu-II Hydroelectric Project (PHEP) had included Admixture in Rate Analysis of Item 8.2.6 'Concrete M15 Backfill at Head Race Tunnel' resulting in inflation of rate. As per Rate Analysis, Nu. 6.63 was included as the cost of the Admixture. The exclusion of the cost of admixture will result in the reduction of overall cost from Nu. 3,504.00 to Nu. 3,497.00 for item No. 8.2.6. The project had paid Nu. 3,504 instead of Nu. 3,497 resulting from inclusion of cost of admixtures in the rate analysis attributed to lack of proper verification by the dealing and supervising officials on the admissibility of the claims. The PHEP-II was recommended to initiate a new rate analysis as per audit observation and recover any excess payment made to the contractor from the upcoming RABs besides cautioning the responsible officials for failing their duties. **(AIN: ECD-2024-104; Obs. No. 11.3)**
81. The Punatsangchhu-II Hydroelectric Project (PHEP) had Inflated Hourly Use Rate of Equipment due to inclusion of Interest on capital investment on Ownership Cost although no equipment was hired to contractor. The PHEP-II was recommended to seek clarification from the CWC on the eligibility of Interest on Capital Investment and furnish documents and facts from the 19th Authority Meeting to RAA to form its final opinion. **(AIN: ECD-2024-104; Obs. No.14)**
82. The Bhutan Postal Corporation Limited (BPCL) had approved repeated time extensions for the Construction of B+G+4 Office and Commercial Building at Gelephu awarded to M/s Gyalcon Infrastructure Private Limited. The repeated extension without recorded justifications has led to further deferral of completion. The BPCL was recommended to present valid and reasonable justifications for seeking a third time extension. **(AIN: COAD-2023-230; Obs. No. 4.5)**
83. The Bhutan Livestock Development Corporation Limited (BLDCL) had not completed the Construction of the Eight Units Elementary Service Provider (ESP) Quarter at Samrang awarded to M/s Sangyal Construction even after a lapse of more than two years from the intended completion date of 25th December 2021. The BLDCL was recommended to initiate immediate action based on the contract clause and intimate the decision to RAA. **(AIN: COAD-2023-531; Obs. No. 10)**

84. The Bhutan Power Corporation Limited (BPCL), Corporate Office, Thimphu had a case of incomplete work in the Thimphu Dzongkhag Contract Package EDPW – N6 and N10. The RAA noted that out of 16 mini feeders and 4 distribution pillars, five mini feeder pillars still did not have power connections. The RAA recommended to install underground cables and utilise all mini feeder and distribution pillars. *(AIN: COAD-2024-164; Obs. No. 2.1)*
85. The Dzongkhag Administration, Thimphu had accepted substandard works in the Construction of Naro GC Road (Package I & II) executed by M/s UND Construction. The Granular Sub-Base (GBS) Course and Wet Mix Macadam were not executed as per the technical specifications, leading to premature defects in several locations within a year of the completion. The Dzongkhag was recommended to rectify the defects and furnish the rectification completion report to RAA. *(AIN: SCD-2023-412; Obs. Nos. 5.1 & 5.2)*
86. The Dzongkhag Administration, Thimphu had accepted substandard Granular Sub-Base works in the Construction of Farm Road at Gasaburma under Kawang Gewog executed by M/s Tshering P Construction, Thimphu. The GSB course was not executed as per the technical specifications, leading to defects in several locations of the road. The Dzongkhag was recommended to rectify the defects and furnish the rectification report to RAA. *(AIN: SCD-2023-412; Obs. No. 8.1)*
87. The Dzongkhag Administration, Thimphu had not forfeited the Performance Security after terminating the contract with M/s Peldruk Construction for the Construction of a new Drasha at Chizhi Goenba. The contract lacked a penalty clause for delays and contractor abandoned the site without completing the work. The RAA recommended the Dzongkhag to take appropriate action on the official concerned for failing to incorporate appropriate terms and conditions in the contract which led to the issue. *(AIN: SCD-2023-412; Obs. No. 13.4 (i))*
88. The Dzongkhag Administration, Thimphu had accepted substandard wooden planks ceiling and flooring works in the Construction of new Drasha at Chizhi Goenba executed by Langa Phuntsho. The wooden planks ceiling and flooring works were not half-lapped as provided in the technical specifications leading to substantial gaps between the planks and uneven surfaces. The RAA recommended to initiate rectification and furnish report to RAA. *(AIN: SCD-2023-412; Obs. No. 13.6 (i))*

C. Non-Compliance to Human Resource Management Norms

The significant cases of non-compliance to Human Resource Management norms are summarised below:

1. The Dzongkhag Administration, Tsirang had not realised the balance financial obligation of Nu. 3.622 million for LTT from a Teacher of Mendrelgang Central School. The RAA noted that the Teacher has resigned from the service before

fulfilling his training obligations. The RAA recommended to initiate recovery and deposit into Audit Recoveries Account. *(AIN: OAAGTS-2023-513; Obs. No. 2)*

2. The Tala Hydropower Plant (THP), Rinchentse had not deducted two months' basic pay of Nu. 0.101 million from an official who failed to provide advance notice of retirement. The RAA recommended to initiate recovery and deposit into Audit Recoveries Account. *(AIN: OAAGPL-2024-200; Obs. No. 2)*

D. Non-Compliance to Other Policies, Laws and Regulations

The significant cases of non-compliance to other policies, laws and regulations are summarised below:

1. The Department of Employment and Entrepreneurship, MoICE had adjusted the advances of Nu. 35.013 million released to five colleges under RUB as “deposit work” based on the expenditure statements submitted by the colleges. The funds were released for establishing Business Incubation Centres in the colleges. The RAA noted during site visits to the colleges that some activities were not completed and there was a total unspent fund balance of Nu. 9.935 million indicating wrong reporting of expenditure. The RAA raised concerns on the inadequacies in the monitoring and oversight role of the Department on the implementation, utilization and reporting of the expenditure. The RAA recommended to re-verify the expenditure and update the status in the books of accounts. *(AIN: ECD-2024-121; Obs. No. 1)*
2. The Bhutan National Bank Limited (BNBL) had sanctioned additional loan of Nu. 9.000 million to a client without CIB report. The RAA noted that as against the initial loan sanctioned amount of Nu. 8.500 million, the total loan disbursement aggregated to Nu. 17.500 million. The bank was recommended to verify all loan documents and rule out the existence of any collusion, and take appropriate administrative action against the officials for failing to exercise due diligence. *(AIN: COAD-2023-501; Obs. No. 13)*
3. The Department of Industry, MoICE had unclaimed escrow money of Nu. 8.739 million under the Refundable Deposit Account. The unclaimed money includes security deposits, retention money, balances related to Closed Work Accounts etc. The RAA recommended to review and settle the accounts as per the FAM. *(AIN: ECD-2023-460; Obs. No. 2)*
4. The Department of Tourism, MoICE had unclaimed escrow money of Nu. 8.264 million under the Refundable Deposit Account. The amount pertained to 10% security deposit from fiscal years 2018-2019 to 2020-2021 which remained unclaimed by the parties as on 30th May 2024. The RAA recommended to review and settle the accounts as per the FAM. *(AIN: ECD-2024-193; Ob. No. 1)*

5. The Bhutan National Bank Limited (BNBL) had sanctioned a new loan of Nu. 2.500 million to a client on 21st October 2022 from BNB, Phuentsholing despite having NPL of Nu. 15.000 million which was sanctioned on 26th May 2022 from BDBL, Paro and Nu. 1.500 million on 12th March 2018 from BDBL, Phuentsholing. The RAA expressed the possibility of collusions in sanctioning of the loans. The bank was recommended to verify all loan documents and rule out the existence of any collusion, and take appropriate administrative action on the officials for failing to exercise due diligence. *(AIN: COAD-2023-501; Obs. No. 12)*
6. The Dzongkhag Administration, Mongar had not collected rebates of Nu. 0.305 million in the procurement of HDPE pipes recoverable from the manufacturers/dealers in compliance with the notification of the MoF. The lapse had occurred due to failure to maintain the details of HDPE pipes procured during the year to claim the rebate. *(AIN: OAAGB-2023-429; Obs. Nos. 5 & 8)*
7. The National Pension and Provident Fund (NPPF), Thimphu had an unadjusted temporary account of Nu. 0.257 million. This was due to non-conduct of periodic reconciliation as per the SOPs of the Finance and Accounts Division. The RAA recommended to ensure proper reconciliation and update its status. *(AIN: COAD-2024-67; Obs. No. 3)*
8. The Dzongkhag Administration, Trashiyangtse had not levied royalty, fines and compensations worth Nu. 0.156 million for unauthorized extraction of GSB materials used for various road improvement works carried under the Dzongkhag. The RAA recommended to initiate recovery of the amount and deposit into Audit Recoveries Account. *(AIN: OAAGSJ-2023-482; Obs. No. 14)*
9. The Dzongkhag Administration, Trongsa had not collected rebates of Nu. 0.140 million in the procurement of HDPE pipes recoverable from the manufacturers/dealers in compliance with the notification of the MoF. The lapse had occurred due to failure to maintain the details of HDPE pipes procured during the year to claim the rebate. *(AIN: OAAGB-2023-445; Obs. No. 2)*
10. The Bhutan Development Bank Limited (BDBL) had not capitalized Fixed Equated Instalment Facility account to its primary account after becoming NPL despite directives from the Royal Monetary Authority of Bhutan (RMAB). The RAA recommended to pursue with RMAB on the capitalisation of NPL Fixed Equated Instalment Facility (FEIF) accounts to its primary accounts and accordingly intimate RAA. *(AIN: COAD-2024-91; Obs. No. 3)*
11. The Gewog Administrations of Jamkhar, Khamdang, Ramjar, Thongmijangsa, Toedtsho, Yallang and Yangtse under Trashiyangtse Dzongkhag had cases of farm roads being constructed beyond the scope permitted by the environmental clearances. The RAA noted that there was no monitoring by appropriate authorities to oversee the violations. The RAA recommended the Environment

Sector to reinforce its monitoring role to ensure compliance to environmental regulations. (AIN: OAAGSJ-2023-482; Obs. Nos. 29, 39, 40, 45, 46, 50, 54 & 56)

3.2.2. Agencies with Cases of Non-Compliance to Laws, Rules and Regulations

Agency-wise non-compliance to laws, rules and regulations provided in **Table 2** shows that the Department of Infrastructure Development, MoIT had the highest irregularities amounting to Nu. 344.403 million followed by State Trading Corporation of Bhutan Limited with Nu. 328.732 million, representing 15.57% and 14.88% respectively.

Table 2: Top 10 Agencies with Cases of Non-Compliance to Laws, Rules and Regulations with amount:

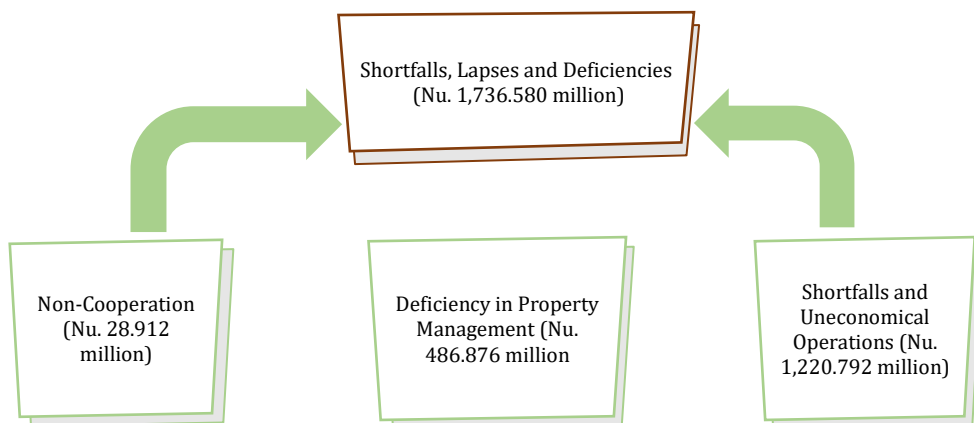
Sl. No.	Agency	Amount (Nu. in million)
1	Department of Infrastructure Development, MoIT	344.403
2	State Trading Corporation of Bhutan Limited	328.732
3	Punatsangchhu-II Hydroelectric Project	152.708
4	National Cottage & Small Industries Development Bank Limited	141.959
5	Secondary Towns Urban Development, DoID, MoIT	137.000
6	Thromde Administration, Thimphu	112.921
7	Department of Tourism, MoICE	109.169
8	Regional Office, NRDCL, Phuentsholing	109.144
9	Construction of 150 Bedded Mother & Child Hospital, DoBE, NMS	89.438
10	Department of Industry, MoICE	47.810

3.3 SHORTFALLS, LAPSES AND DEFICIENCIES

The cases of 'shortfalls, lapses and deficiencies' accounted for 43.84% of the total irregularities aggregating to Nu. 1,736.580 million. This category includes those irregularities arising from non-cooperation, property management issues, and uneconomical operations such as untimely production of documents, damages to public property, acceptance of defective works, and avoidable expenditure. The issues of Shortfalls, Lapses and Deficiencies were reported based on the materiality having potential to undermine the economic and efficient operation of the agencies. The overview of deficiencies reported for the period is shown in **Figure 5**.

Of the Nu. 1,736.580 million reported under Shortfalls, Lapses and Deficiencies, the cases are segregated into three sub-categories: **non-cooperation** with Nu. 28.912 million; **deficiency in property management** with Nu. 486.876 million; and **shortfalls and uneconomical operations** with Nu. 1,220.792 million. The details are appended as **Annexures III & IV**.

Figure 5: Overview of shortfalls, lapses and deficiencies



3.3.1 Significant Cases of Shortfalls, Lapses and Deficiencies

The significant cases of shortfalls, lapses and deficiencies detected during the period are summarised under three sub-categories:

A. Non-Cooperation

The significant cases of non-cooperation are summarised below:

1. The Department of Biomedical Engineering, NMS, MoH had not produced workings of rate analyses along with relevant documents and bills relating to the payment of Nu. 28.854 million made in the Construction of 150 Bedded Mother and Child Hospital awarded to M/s Wangthang Construction Private Limited. The RAA was not able to validate the reasonableness of the rates paid in the absence of those documents. The Department was recommended to provide the rate analyses and necessary documents to review the admissibility of the rates applied. **(AIN: SoCD-2024-147; Obs. No. 21)**
2. The Regional Immigration Office (RIO), Phuentsholing had not produced disbursement vouchers and supporting documents to support the expenditure of Nu. 4.134 million. The RIO was recommended to provide the documents failing which an equivalent amount to be recovered and deposited into Audit Recoveries Account besides initiating appropriate action on the officials concerned. **(AIN: OAAGPL-2024-53; Obs. No. 2)**
3. The Gewog Administration, Tsakaling under Mongar Dzongkhag had made expenditure of Nu. 2.050 million without supporting documents. The expenditure related to supply of Dolep and Installation of Zung for statues for Pema Yoesel Choeling Lhakhang. The RAA could not validate the expenditure in absence of

supporting documents. The RAA recommended to furnish the relevant documents to support the expenditure. *(AIN: OAAGB-2023-429; Obs. No. 27)*

B. Deficiencies in Property Management

The significant cases of deficiencies in property management are summarised below:

1. The Dzongkhag Administration, Lhuentse had accepted defective works in the Phaling Town Development Works awarded to M/s Chimi RD Construction Private Limited, which was completed at a cost of Nu. 95.901 million. The RAA noted damages in the Blacktopping works at different locations, damages in box drain slab covers, improper fixation of sewer hole chambers constructed for streetlights and slab covers without handles. The RAA recommended the Dzongkhag to initiate immediate rectifications and furnish report to RAA. *(AIN: OAAGB-2023-450; Obs. No. 10)*
2. The Dzongkhag Administration, Punakha had accepted defective works in the Blacktopping of Tshorimo to Tshephu Farm Road under Goenshari Gewog, completed at a cost of Nu. 56.142 million by M/s Druk Elite Builders. The defects noted were potholes, improper execution of causeways, and scouring along some stretches of the road. The RAA recommended to initiate immediate rectifications and furnish report to RAA. *(AIN: OAAGTS-2023-422; Obs. No. 9)*
3. The Paro College of Education (PCE) had accepted sub-standard cement plaster and waterproofing at Lab Pool in the Construction of the Sports Laboratory at Paro College of Education completed at the cost of Nu. 39.999 million by M/s Nakling Construction. The RAA noted seepages from the pool and damaged brickwork potentially affecting the functionality. Although the leakages were rectified, the College is yet to take action on officials for accepting the sub-standard works. *(AIN: SoCD-2023-558; Obs. No. 1.1)*
4. The Bhutan Olympic Committee (BOC) had accepted defective works in the Renovation and Maintenance of Shooting Range at Rama, Thimphu, awarded to M/s Noryang Private Limited and was completed at the cost of Nu. 32.399 million. The RAA noted that even before the inauguration, the building structure and auxiliary facilities suffered major cracks and damages leading to major maintenance works within just over one and a half years of the completion. This had entailed additional costs of Nu. 7.761 million representing over 24% of the initial construction cost. The RAA expressed concerns of imminent risks due to unstable foundations at the two ends of the buildings. The RAA recommended the BOC to develop detailed risk management and mitigation strategies to prevent further damages and also to hold the relevant officials responsible. *(AIN: GCD-2023-479; Obs. No. 2)*
5. The Gewog Administrations of Chongshing, Decheling, and Norbugang under Pemagatshel Dzongkhag had accepted defective works valuing Nu. 1.475 million

in the construction of farm roads under different Gewogs. The defects were observed in drain and RRM works besides improper formation cutting works at various stretches of farm roads. The RAA recommended the Dzongkhag to initiate immediate rectifications and furnish report to RAA. **(AIN: OAAGSJ-2023-348; Obs. No. 8)**

6. The Pel Drukdraling Foundation, Thimphu had not obtained ownership of land even after incurring the expenditure of Nu. 1.230 million for the construction of a Monastery in Gorina. The RAA raised concerns about the inappropriateness of construction on private land and the risk of future complications. The Foundation was recommended to initiate the process for transferring land ownership and intimate the outcome to RAA. **(AIN: COAD-2024-226; Obs. No. 1)**
7. The Gewog Administration, Pemaling under Samtse Dzongkhag had accepted defective GSB work valuing Nu. 0.928 million in the Improvement of Farm Road from Katarey to Chisopani via Hatikharka to Bahundara awarded to M/s Druk Magical Private Limited, Mongar. The defects had developed due to non-adherence to the technical specifications and not maintaining the necessary degree of compaction. The RAA recommended to initiate immediate rectification of the works and furnish report to RAA. **(AIN: OAAGPL-2023-357; Obs. No. 40.2)**
8. The Thromde Administration, Thimphu had made a wasteful expenditure of Nu. 0.910 million (Nu. 5,200 per for 175 barrels) on account of loss and damage of bitumen due to mishandling and improper storage. The RAA found that bitumen was damaged and cannot be put to use which could have been minimized or avoided if there were proper handling and storage procedures. The RAA recommended to salvage the materials and/or prevent from further deterioration besides cautioning the officials responsible to ensure proper monitoring and supervision. **(AIN: SCID-2023-115; Obs. No. 14)**
9. The Royal Court of Justice, Supreme Court of Bhutan had accepted defective works valuing Nu. 0.893 million in the work items of drainage, plinth protection and tiles flooring in the Construction of Sakteng Dungkhag Court awarded to M/s Masang Mejud Construction. The Supreme Court was recommended to initiate immediate rectifications and furnish report to RAA besides cautioning the officials responsible for accepting the defective works. **(AIN: GCD-2024-189; Obs. No. 3.1)**
10. The Dzongkhag Administration, Samdrup Jongkhar had accepted substandard work valuing 0.855 million in the Construction of Four Unit Staff Quarters and Four Unit Library Block at Phuentshothang Middle Secondary School awarded to M/s PT Construction, Sarpang. The defects were noted in the work items of Providing and Laying 40mm thick marble chips floorings, skirting, supply and installation of flow Guard CPVC pipes, and providing and applying finishing coats. The RAA recommended the Dzongkhag to initiate immediate rectifications of the work and furnish report to RAA. **(AIN: OAAGSJ-2023-494; Obs. No. 11)**

11. The Gewog Administrations, Laya and Lunana under Gasa Dzongkhag had not completed RWSS works valuing Nu. 0.729 million although the expenditures were booked. The RAA noted that 80% of work at Laya was completed while for Lunana, the work was yet to be started. The RAA recommended the Gewogs to expedite the completion of work and furnish completion report to RAA. **(AIN: SCD-2023-393; Obs. No. 10)**
12. The Dzongkhag Administration, Samdrup Jongkhar had accepted defective works valuing Nu. 0.601 million in the Improvement of Farm Road from Martshala to Kaptang awarded to M/s Kencho Tshering Construction Private Limited. The defective works included damaged structures like drains, subgrade and GSB works along the stretch of the road. The RAA recommended the Dzongkhag to initiate immediate rectification of the works and furnish report to RAA. **(AIN: OAAGSJ-2023-494; Obs. No. 9)**
13. The Dzongkhag Administration, Pemagatshel had accepted various defective works valuing Nu. 0.461 million in the farm road constructions in various Gewogs. The defective works were observed in the work items of permanent structures, drains, and GSB at various stretches of farm roads. The RAA recommended the Dzongkhag to initiate immediate rectifications and furnish report to RAA. **(AIN: OAAGSJ-2023-348; Obs. No. 2)**
14. The Dungkhag Administration, Nganglam under Pemagatshel Dzongkhag had accepted defective works valuing Nu. 0.272 million in the construction of farm roads under different Gewogs. The defective works were noted in L-shape drains, retaining walls, and GSB at various stretches of farm roads. The RAA recommended the Dzongkhag to initiate immediate rectifications and furnish report to RAA. **(AIN: OAAGSJ-2023-348; Obs. No. 6)**
15. Chhimoong Pangthang Community Forest under Chhimoong Gewog, Pemagatshel Dzongkhag had not accounted for the sales proceeds of Nu. 0.192 million accrued from sale of timber to the proprietor of M/s Namkhakuenchap Construction for use in the Construction of RNR Office in Chimoong Gewog. The RAA recommended to pursue collection of the amount and deposit into CF Account. **(AIN: OAAGSJ-2023-348; Obs. Nos. 10.4 & 10.6)**
16. The Dzongkhag Administration, Lhuentse had not collected the amount of Nu. 0.103 million on account of vegetable market shed rent and cesspool hire charges from various parties. The RAA recommended to expedite collection and ensure accountal of the funds. **(AIN: OAAGB-2023-450; Obs. Nos. 4 & 5)**
17. The Thromde Administration, Thimphu had not rectified the defective works in the work items of plinth protection, drainage, thrust blocks and pipe alignment in the Construction of the Water Supply Distribution Network at Samtenling Local Area Plan (LAP) awarded to M/s G.D Construction, Thimphu. The RAA

recommended to initiate immediate rectifications and furnish report to RAA. **(AIN: SCD-2024-74; Obs. No. 16)**

18. The Regional Office, Department of Surface Transport (DoST), Lingmethang had not rectified defective works in the work item of drainage in the Improvement Works of Talingthang to Dramaling Primary National Highway (PNH) Package-V awarded to M/s Lotey Construction Private Limited. The RAA recommended to initiate immediate rectifications and furnish report to RAA. **(AIN: OAAGB-2024-42; Obs. No. 1.3)**
19. The Gedu College of Business Studies had accepted defective works in the work items of Providing and Laying of Plumbing & Sanitary Fittings & other works in the Construction of Two 96 Bedded Hostel for Gedu College of Business Studies awarded to the M/s Construction Development Corporation Limited. The RAA recommended to initiated immediate rectifications and furnish report to RAA. **(AIN: OAAGPL-2023-491; Obs. No. 1.1)**
20. The Thromde Administration, Gelephu had accepted the maintenance works of air conditioners at Gelephu Middle Secondary School, which was not executed properly by M/s D2T Bright Sight Infotech, Gelephu. The RAA noted poor workmanship in fixing and placement of the air conditioners. The RAA recommended to initiate immediate rectifications and furnish report to RAA. **(AIN: OAAGTS-2024-178; Obs. No. 4)**
21. The Dungsam Cement Corporation Limited (DCCL), Nganglam had a case of encroachment on 1.855 acres of state land for truck parking, which was neither leased nor registered in the name of the company, violating the provisions of Land Act of Bhutan 2007. The RAA recommended to consult with the Dzongkhag to resolve the issue. **(AIN: OAAGSJ-2024-149; Obs. No. 2)**
22. The Dungsam Cement Corporation Limited (DCCL), Nganglam has occupied 28.053 acres of government land, but had neither obtained ownership nor leased from the government. As per Google Maps, the land is enclosed within the boundaries of the company. The RAA raised concerns on the legal implications in future as well as tax obligations under the Land Act of Bhutan 2007. The Company was advised to consult with the Dzongkhag to resolve the matter. **(AIN: OAAGSJ-2024-149; Obs. No. 3)**
23. The Dungsam Cement Corporation Limited (DCCL), Nganglam has obtained a lease of 676.09 acres of land in the two mines. However, as per the survey records, the actual area of land leased was 755.904 acres which was also confirmed by Dzongkhag Administration, Pemagatshel. In view of this, the RAA expressed concerns on underpayment of lease rents amounting to Nu. 0.358 million over seven years. The RAA recommended to address the matter in consultation with the Dzongkhag. **(AIN: OAAGSJ-2024-149; Obs. No. 4)**

24. The Transmission Operation and Maintenance Division, BPCL, Dewathang, Samdrup Jongkhar had accepted defective works in the work items of blacktopping of parking and toilet pipeline in the Construction of G+2 Staff Quarter at Nganglam awarded to M/s 3 Square Construction. The RAA recommended to initiate immediate rectifications and furnish report to RAA. **(AIN: OAAGSJ-2024-240; Obs. No. 3)**
25. The ADB funded Project 'Air Transport Connectivity Enhancement', implemented by DoAT, Paro had accepted defective and broken acoustic ceiling boards in the Construction of Terminal Building at Bumthang Domestic Airport awarded to M/s Rinson Construction Private Limited. The Department was recommended to initiate immediate rectifications and furnish report to RAA. **(AIN: ECD-2023-461; Obs. No. 1.8)**
26. The ADB funded Project 'Air Transport Connectivity Enhancement', implemented by DoAT, Paro had accepted substandard works of laminated flooring in the Construction of Terminal Building at Bumthang Domestic Airport awarded to M/s Rinson Construction Private Limited. The RAA noted cases of gaps and bulging in the flooring at various locations. The Department was recommended to initiate immediate rectifications and furnish report to RAA. **(AIN: ECD-2023-461; Obs. No. 1.9)**
27. The Royal Court of Justice, Supreme Court of Bhutan had accepted defective works of Eave Ceiling and Wooden Flooring in the Construction of Two Units of Drangpon's Residence at Paro, which was awarded to M/s KWM Construction Private Limited. The Supreme Court was recommended to initiate immediate rectifications and furnish the report to RAA besides cautioning the officials responsible for accepting the defective works. **(AIN: GCD-2024-189; Obs. No. 1.3)**
28. The ADB funded Project 'Air Transport Connectivity Enhancement', implemented by DoAT, Paro had accepted defective Dolep works in the Construction of Terminal Building at Bumthang Domestic Airport awarded to M/s Rinson Construction Private Limited. The Department was recommended to initiate immediate rectifications and furnish the report to RAA besides cautioning the officials responsible for accepting the defective works. **(AIN: ECD-2023-461; Obs. No. 1.10)**
29. The ADB funded Project 'Air Transport Connectivity Enhancement', implemented by DoAT, Paro had accepted defective PCC works in the Construction of Terminal Building at Bumthang Domestic Airport awarded to M/s Rinson Construction Private Limited. The Project Management was recommended to initiate immediate rectifications and furnish the report to RAA besides cautioning the officials responsible for accepting the defective works. **(AIN: ECD-2023-461; Obs. No. 1.11)**

30. The ADB funded Project 'Air Transport Connectivity Enhancement', implemented by DoAT, Paro had accepted defective works of Damp-Proof Course scouring and dirty marks at various locations in the Construction of Terminal Building at Bumthang Domestic Airport awarded to M/s Rinson Construction Private Limited. The Project Management was recommended to initiate immediate rectifications and furnish the report to RAA besides cautioning the officials responsible for accepting the defective works. **(AIN: ECD-2023-461; Obs. No. 1.12)**
31. The Department of Infrastructure Development, MoIT had accepted defective rain gutters in the Construction of 500 Bedded Fully Self-Contained Permanent Quarantine Centre, Damdum, Samtse which was awarded to M/s T&K Construction Private Limited. The RAA noted that work items of rain gutters were deformed and spoiling the aesthetic appeal of the buildings. The Department was recommended to initiate immediate rectifications and furnish report to RAA. **(AIN: ECD-2023-545; Obs. No. 2.2)**
32. The Farm Machinery Corporation Limited (FMCL), Paro had cases of missing items due to inadequacies in inventory management. The missing items included *electric motor of the Power Thresher, 20 HP electric motor of the woodchopper, nuts and bolts of the flour mill, and impeller of the High-Pressure Water Pump 6.5 HP*. The FMCL was recommended to trace out the items and ensure proper accountal. **(AIN: COAD-2023-515; Obs. No. 2)**
33. The Bhutan Power Corporation Limited (BPCL), Corporate Office, Thimphu had accepted defective chain link fencing works under Bumthang and Trongsa Dzongkhags which was awarded to M/s Neagen Construction. The BPCL was recommended to initiate immediate rectifications and furnish report to RAA. **(AIN: COAD-2024-164; Obs. No. 1.1)**
34. The Bhutan Power Corporation Limited (BPCL), Corporate Office, Thimphu had accepted defective works of plinth protection at the backside of the quarter and entrance steps for Block-G which were completely detached from the main wall which was executed by M/s K. Ngawang Construction Private Limited, Paro. The RAA noted that the huge gaps and cracks cause damage to the kitchen waste pipelines requiring immediate rectification and replacements. The management was recommended to initiate immediate rectifications and furnish report to RAA. **(AIN: COAD-2024-164; Obs. No. 4.2)**
35. The Royal Insurance Corporation of Bhutan Limited (RICBL) had not transferred the ownership of four properties acquired through out-of-court settlements in 2021 and 2022 despite signing legal agreements with the property owners. The RICBL was recommended to make concerted effort to transfer the ownership of properties at the earliest. **(AIN: COAD-2023-343; Obs. No. 4)**
36. The Dzongkhag Administration, Lhuentse had accepted defective works in the work item of box drain constructed along the farm road in the Maintenance of

Phukhae Irrigation Channel under Kurtoed Gewog executed by M/s Rinchen Yangzom Construction at a cost of Nu. 3.078 million. The RAA recommended the Dzongkhag to initiate immediate rectifications and furnish report to RAA. **(AIN: OAAGB-2023-450; Obs. No. 16)**

37. The Community Forests (CFs) of Shumar Sokphu Dengmong, Gamung Drongdey and Tokarey under Pemagatshel Dzongkhag had cases of irregular disbursement of loans from the sales proceeds at varying interest rates. The RAA noted that there were no approved procedures for sanctioning such loans and the approval process varies amongst Community Forest Management Group (CFMG). This had led to cases of defaults and overdue loans. The RAA recommended to ensure proper monitoring of the management of funds relating to CFMG by appropriate authority. **(AIN: OAAGSJ-2023-348; Obs. Nos. 10.12, 10.13 & 10.14)**
38. The Dzongkhag Administrations, Punakha had not completed the Maintenance of RWSS from Mengilum to Samadingkha under Toedwang Gewog undertaken departmentally by the Dzongkhag Administration through labour contribution from the beneficiaries. The RAA noted that the project was halted due demand for individual connections and insufficient budget allocation. The RAA recommended that the Dzongkhag and Gewog expedite the work with proper consultation with the beneficiaries. **(AIN: OAAGTS-2023-422; Obs. No. 11)**
39. The Dzongkhag Administration, Samtse had accepted defective works in the Construction of 200 Bedded Hostels at Norbugang Central School, Samtse awarded to M/s Kencho Tshering Construction Private Limited, Sarpang. The defects included leakages in plumbing works, damages of walls, plinth protection, drains, tiles etc. The RAA recommended to initiate immediate rectification of the works and furnish report to RAA. **(AIN: OAAGPL-2023-357; Obs. No. 4.2)**
40. The Gewog Administration, Sangngagcholing under Samtse Dzongkhag had accepted defective PCC works in the Improvement of Sangngagcholing GC Road awarded to M/s Tashi Rigzin Builder, Zhemgang. The RAA recommended to initiate immediate rectification of the works and furnish report to RAA. **(AIN: OAAGPL-2023-357; Obs. No. 16)**
41. The Dungkhag Administration, Dorokha had accepted defective works in the *Blacktopping of Dumtoe GC Road* awarded to M/s Bumzang Construction Private Limited, Punakha. The defects included potholes, damaged drains and gabion walls along the stretch of the road. The RAA recommended to initiate immediate rectification of the works and furnish report to RAA. **(AIN: OAAGPL-2023-357; Obs. No. 24.2)**
42. The Dzongkhag Administration, Sarpang had accepted defective work in the Improvement of Sherubling Farm Road under Chhudzom Gewog awarded to M/s Rinchen Buli Construction, Zhemgang. Further, it was noted that the contractor had not insured the work as per the contract agreement. The RAA recommended

to initiate immediate rectification of the works and furnish report to RAA. **(AIN: OAAGTS-2024-109; Obs. No. 7)**

43. The Dzongkhag Administration, Mongar had accepted defective works in the plumbing, wall foundation and plinth protection in the Construction of 120 Bedded Hostel at Mongar Higher Secondary School awarded to M/s Sonam Jamtsho & Bros Construction Private Limited. The RAA recommended to initiate immediate rectification of the works and furnish report to RAA. **(AIN: OAAGB-2023-429; Obs. No. 15.4)**
44. The Dzongkhag Administration, Thimphu had accepted defective work in Providing and Laying of 900mm dia NP-3 RCC Pipes and L-shaped drains in the Construction of Naro GC Road (Package I & II) awarded to M/s UND Construction, Thimphu. The RAA recommended to initiate immediate rectification of the works and furnish report to RAA. **(AIN: SCD-2023-412; Obs. No. 5.3 & 5.4)**
45. The Dzongkhag Administration, Thimphu had accepted defective works in the Improvement of Langka Goenba Road awarded to M/s Kezang D Construction, Thimphu. The defects included cracks in V-shaped PCC drains, improper backfilling and levelling of trenches along the stretch of road. The RAA recommended to initiate immediate rectification of the works and furnish report to RAA. **(AIN: SCD-2023-412; Obs. No. 10.3 & 10.4)**
46. The Dzongkhag Administration, Trashiyangtse had ten cases of constructions of Lhakhangs and Mani Dungkors on private lands without changing the ownership. The RAA also noted that there were no agreements drawn with the owners on the use of land. The RAA raised concerns on future complications arising in the absence of any formal agreement executed with the landowners. The RAA recommended the Dzongkhag to reach out for agreed solutions to prevent complications that may potentially arise in future. **(AIN: OAAGSJ-2023-482; Obs. No. 21)**

C. Shortfalls and Uneconomical Operations

The significant cases of shortfalls and uneconomical operations are summarised below:

1. The Punatsangchhu-II Hydroelectric Project (PHEP) had made payment of price adjustment of Nu. 511.970 million without granting time extension in the Construction of Diversion Tunnel, Dam, Intake and De-silting Arrangement including Hydro-mechanical work and Highway Tunnel executed by M/s Jaiprakash Associates Limited. The payment of price adjustment without grant of time extension was in contravention to contract terms and conditions as stipulated in Clause 70 of GCC. The PHEP-II was recommended to prepare and finalize delay analysis for further review by RAA. **(AIN: ECD-2024-104; Obs. No. 4)**

2. The Dungsam Cement Corporation Limited (DCCL), Nganglam had a case of significant variations in the test results of coal between SMCL and DCCL. The RAA noted from the joint test conducted at SMCL showed the ash content within acceptable limits, but when tested at the DCCL Laboratory, the ash content was significantly higher, revealing major variations in the results. Such discrepancies in coal ash content were revealed on tests conducted for coal worth Nu. 455.788 million. The RAA expressed concerns on such discrepancies and its implications on the quality of cement that would be produced besides other implications. The RAA recommended the company to harmonize the testing equipment to resolve such discrepancies. *(AIN: OAAGSJ-2024-149; Obs. No. 8)*
3. The State Trading Corporation of Bhutan Limited (STCBL) had instances of unreconciled cash collected and deposited pertaining to TATA Division. The unreconciled amounts were Nu. 44.188 million for 2020, Nu. 193.366 million for 2021, and Nu. 87.721 million for 2022. The STCBL was recommended to carry out reconciliation of bank accounts of all divisions at the consolidated level and furnish to RAA for review. *(AIN: COAD-2023-208; Obs. No. 8)*
4. The State Mining Corporation Limited (SMCL), Samtse had a case of underutilization of Coal Washery installed at the cost of Nu. 40.846 million in Samdrupchholing. The Coal Washery remained non-operational despite significant investment made in its acquisition. Further, the company is yet to realise the intended goal of improving coal quality and boosting sales through use of the machinery. The RAA questioned the company on the necessity to make huge investments without assessing its technical viability of the machine. The SMCL was recommended to explore ways to put the machinery to intended use and alternate use to prevent total waste of resources. *(AIN: OAAGPL-2024-52; Obs. No. 1)*
5. The Punatsangchhu-II Hydroelectric Project (PHEP) had made excess payment Nu. 23.429 million for Steel Ribs (ISMB 250 mm) in Additional Surge Tunnels in the execution of the steel ribs in Additional Surge Tunnels by M/s Jaiprakash Associates Limited. The Consultant (WAPCOS) and Chief Geologist (PHEP-II) recommended reducing rib spacing from 750 mm to 500mm at specific junctions, but the reduction was applied indiscriminately along the entire length without considering location criticality resulting into the excess claims. *(AIN: ECD-2024-104; Obs. No. 9)*
6. The Loden Foundation had outstanding loan of Nu. 21.732 million against 47 individuals as on 31st December 2023. The RAA noted that the individuals had not liquidated their loans within 48 months as per the credit manual. The RAA recommended to initiate recovery and intimate RAA. *(AIN: COAD-2024-97; Obs. No. 1)*

7. The Thromde Administration, Thimphu had not collected the amount of Nu. 13.128 million on account of 5% property transfer tax and penalty pertaining to 10 land owners. The RAA noted that the Lagthrams were released without realizing the amount. The cases pertained to FYs 2012-13 to 2018-19. The Thromde Administration was recommended to initiate collection of the amount from the land owners and update its records. **(AIN: SCID-2023-115; Obs. No. 11)**
8. The Thromde Administration, Gelephu had not reconciled the amount of Nu. 12.118 million pertaining to non-budgetary funds, which had lapsed at the end of the FY. This had occurred due to the absence of periodic reconciliations carried out by the account personnel. The Thromde Administration was recommended to sort out the differences in consultation with the Department of Treasury Accounts and update its records besides cautioning the officials concerned. **(AIN: OAAGTS-2024-178; Obs. No. 1)**
9. The Gewog Administration, Gomdar under Samdrup Jongkhar had not utilized the newly constructed Gewog Office Building at Khoyar which was completed at the cost of Nu. 12.096 million. The new building could not be used possibly due to differing interests/preferences of people under the Gewog. The RAA expressed concerns on the inadequate consultation with the people in making the proposal. **(AIN: OAAGSJ-2023-494; Obs. No. 24)**
10. The Dzongkhag Administration, Trongsa had accepted substandard works of Plum Concrete Wall and Chain Link fencing below the Football Ground at Sherubling Higher Secondary School executed by M/s S.W Construction at the cost of Nu. 11.865 million. The Plum Concrete Wall had collapsed within a month of taking over by the Dzongkhag Administration. The case is under arbitration. **(AIN: OAAGB-2023-445; Obs. No. 6.1)**
11. The Department of Biomedical Engineering, NMS, MoH had made overpayment of Nu. 11.691 million in the Construction of 150 Bedded Mother and Child Hospital awarded to M/s Wangthang Construction Private Limited. The excess payment had occurred due to excess quantities claimed for various items of work. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the officials concerned. **(AIN: SoCD-2024-147; Obs. No. 2)**
12. The Punatsangchhu-II Hydroelectric Project (PHEP) had made excess payment of Nu. 8.900 million in the Construction of Head Race Tunnel (HRT) from Adit-I and Adit-II (Package C2) executed by M/s Gammon India Limited. The excess payment had occurred due to the inclusion of supervision charges in the rate analysis which was not admissible as it was already embedded within 25% of the prime cost. The PHEP-II was recommended to obtain expert opinions from India & Bhutan and sort out the eligibility of the supervision charges to be included in the rate analysis. **(AIN: ECD-2024-104; Obs. No. 5)**

13. The Dzongkhag Administration, Bumthang had not collected royalty amounting to Nu. 5.260 million for the extraction of GSB materials used for various road improvement works carried out under the Dzongkhag. The RAA could not verify the permit obtained vis-à-vis royalty payment made in the absence of the proper documentation by the Dzongkhag and the contractors. The RAA recommended to review the applicable royalty based on the materials extracted and deposit into Audit Recoveries Account. *(AIN: OAAGB-2023-388; Obs. No. 2)*
14. The Department of Biomedical Engineering, NMS, MoH had made over payment of Nu. 4.857 million in the Construction of 150 Bedded Mother and Child Hospital awarded to M/s Wangthang Construction Private Limited. The overpayment had occurred due to payment towards transportation of an enhanced quantity of excavated materials and 20% voids on the actual quantity of excavated materials which were not admissible. The RAA recommended to recover the amount and initiate appropriate action on the officials concerned. *(AIN: SoCD-2024-147; Obs. No. 4)*
15. The Regional Immigration Office (RIO), Phuentsholing had not produced disbursement vouchers and supporting documents to support the expenditure of Nu. 4.134 million. The RIO was recommended to provide the documents failing which an equivalent amount to be recovered and deposited into Audit Recoveries Account besides initiating appropriate action on the officials concerned. *(AIN: OAAGPL-2024-53; Obs. No. 2)*
16. The Punatsangchhu-II Hydroelectric Project (PHEP) had made excess payment of Nu. 3.870 million in the Contract Works of Electro-Mechanical (EM) Package. The excess payment had occurred due to the inclusion of supervision charges in rate analysis which was not admissible as it was already embedded within 25% of the prime cost. The PHEP-II was recommended to obtain expert's opinions from India & Bhutan and sort out the eligibility of the supervision charges to be included in the rate analysis. *(AIN: ECD-2024-104; Obs. No. 2)*
17. The Department of Biomedical Engineering, NMS, MoH had made excess payment of Nu. 3.565 million in the Construction of 150 Bedded Mother and Child Hospital awarded to M/s Wangthang Construction Private Limited. The excess payment was made due to excess claims of Truss Works. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the officials concerned. *(AIN: SoCD-2024-147; Obs. No. 5)*
18. The Department of Biomedical Engineering, NMS, MoH had made inadmissible payment of Nu. 2.961 million in the Construction of 150 Bedded Mother and Child Hospital awarded to M/s Wangthang Construction Private Limited. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. *(AIN: SoCD-2024-147; Obs. No. 7)*

19. The Dzongkhag Administration, Mongar had a case of an unauthorized construction of a 300-metre road costing Nu. 2.620 million in the execution of contract for the Construction of 120 Bedded Hostel at Mongar Higher Secondary School by M/s Sonam Jamtsho & Bros Construction Private Limited. There was no formal approval accorded for the construction of the road. The RAA recommended the Dzongkhag to either furnish formal approval accorded for the construction of the road or take appropriate action against the official concerned. *(AIN: OAAGB-2023-429; Obs. No. 15.1)*
20. The Department of Biomedical Engineering, NMS, MoH had made over payment of Nu. 2.377 million in the Construction of 150 Bedded Mother and Child Hospital awarded to M/s Wangthang Construction Private Limited. The overpayment had occurred due to excess claims made in the road works. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. *(AIN: SoCD-2024-147; Obs. No. 8)*
21. The Department of Biomedical Engineering, NMS, MoH had made overpayment of Nu. 2.160 million in the construction of 150 Bedded Mother and Child Hospital awarded to M/s Wangthang Construction Private Limited. The RAA noted that the price adjustment was incorrectly computed. The RAA recommended to work out the actual payable amount and recover the excess amount besides initiating appropriate actions on the officials concerned. *(AIN: SoCD-2024-147; Obs. No. 6)*
22. The Department of Biomedical Engineering, NMS, MoH had made overpayment of Nu. 2.100 million in the Construction of 150 Bedded Mother and Child Hospital awarded to M/s Wangthang Construction Private Limited. The overpayment had occurred due to claims for enhanced quantity of work items of providing & laying 30 mm thick semi-polish granite stone slab in risers and treads of the staircase. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. *(AIN: SoCD-2024-147; Obs. No. 9)*
23. The Punatsangchhu-II Hydroelectric Project (PHEP) had made excess payment of Nu. 1.720 million in the Construction of the Head Race Tunnel from Adit-I and Adit-II (Package C2) executed by M/s Gammon India Limited. The excess payment had occurred due to the inclusion of interest on capital investment in rate analysis which was not admissible as per the clarification provided by the CWC. The PHEP-II was recommended to address the issue of including interest on capital investment in the rate analysis at the upcoming 19th Authority Meeting and to share the decision with the RAA for further review. *(AIN: ECD-2024-104; Obs. No. 6)*
24. The Milk Processing Unit (MPU) operated by Zambala Farmers Group in Norbugang Gewog under Pemagatshel Dzongkhag had a case of shortage of sales proceeds of Nu. 1.564 million. The RAA noted that the collections were not accounted for in the designated group bank account. The RAA recommended to

ensure proper account of the funds through intervention of the Dzongkhag Administration and to hold the officials accountable. **(AIN: OAAGSJ-2023-348; Obs. No. 4.5)**

25. The Dzongkhag Administration, Sarpang had made excess payment of Nu. 1.554 million in the Construction of Limbu Irrigation Channel under Samtenling Gewog which was awarded to M/s Kezang Norbu Construction, Sarpang. The lapses had occurred due to payment of RA bills exceeding the value of works delivered. The RAA recommended to recover the amount and deposit into Audit Recoveries Account. **(AIN: OAAGTS-2024-109; Obs. No. 6)**
26. The Thromde Administration, Thimphu had made excess payment of Nu. 1.409 million in the work of Infrastructure Development within Bebena – Samtenling Area awarded to M/s P. Gyeltshen Construction Private Limited. The excess payment had occurred due to payment made at enhanced rates compared to quoted rates. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. **(AIN: SCD-2024-74; Obs. No. 4.1)**
27. The Dzongkhag Administration, Gasa had made overpayment of Nu. 1.402 million in the *Blacktopping of Approach and Internal Roads* with drainage at Bjishong Central School, Damji awarded to M/s Tashi Delek Construction, Punakha. The overpayment had occurred due to excess claims made in the bills. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the officials concerned. **(AIN: SCD-2023-393; Obs. No. 9.1)**
28. The Dzongkhag Administration, Lhuentse made excess payment of Nu. 1.368 million in the Construction of 180 Bedded Hostel at Lhuentse High School awarded to M/s Sonam Jamtsho and Bro's Construction. The excess payment occurred due to excess claims made in the bills. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the official concerned. **(AIN: OAAGB-2023-450; Obs. Nos. 7.1 & 7.2)**
29. The Thromde Administration, Thimphu made an excess payment of Nu. 1.349 million in the Construction of One MLD Package Sewer Treatment Plant in Jungzhina (DBOT) awarded to M/s E.W Construction Private Limited. The lapses had occurred due to the non-deduction of additional work value from the total work value considered for price adjustment. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the officials concerned. **(AIN: SCD-2024-74; Obs. No. 8.1)**
30. The Dzongkhag Administration, Chhukha had a case of under-utilization of X-ray equipment valuing Nu. 1.338 million at Khatekha BHU. The X-ray equipment received by the BHU on 29th July 2021, remained uninstalled due to lack of a

standard room. The RAA raised concerns about not putting the equipment to intended use and leading to waste of resources. The RAA recommended to explore strategies to put to intended use and furnish report to RAA. **(AIN: OAAGPL-2023-374; Obs. No. 6)**

31. The Department of Biomedical Engineering, NMS, MoH had made wasteful expenditure of Nu. 1.125 million in the Construction of 150 Bedded Mother and Child Hospital awarded to M/s Wangthang Construction Private Limited. The RAA noted that the work item of 'Providing and Fixing uPVC doors and 6 mm thick toughened glass' which could not be used due to change in the dimensions. RAA recommended to explore alternate uses to prevent the waste of resources. **(AIN: SoCD-2024-147; Obs. No. 19)**
32. The Army Welfare Project Limited (AWPL), Samtse had outstanding sales of Nu. 1.027 million as on 31st December 2023 against various parties. The AWPL was recommended to recover the outstanding sales and develop a Credit Policy to facilitate credit management. **(AIN: OAAGPL-2024-139; Obs. No. 2)**
33. The Milk Processing Unit (MPU) operated by Zambala Farmers Group in Norbugang Gewog under Pemagatshel Dzongkhag had incurred unsubstantiated expenditure aggregating to Nu. 1.014 million for maintenance and fuel for vehicle for the period 1st January 2022 to 31st December 2022. The RAA could not validate the expenditure in the absence of the minimum documents supporting the expenditure. The RAA recommended to trace out the documents and furnish to RAA. **(AIN: OAAGSJ-2023-348; Obs. No. 4.4)**
34. The Dzongkhag Administration, Thimphu had made excess payment of Nu. 1.001 million in the Improvement of Langka Goenba Road awarded to M/s Kezang D Construction, Thimphu. The excess payment had occurred due to differences in quantities of items of work paid for and actually executed at site. The RAA recommended to recover the amount and deposit into Audit Recoveries Account. **(AIN: SCD-2023-412; Obs. No. 10.1)**
35. The Bhutan Livestock Development Corporation Limited (BLDC) had made excess payment of Nu. 0.937 million in the Work of Supply, Erection, Installation and Commissioning of Cold Storage at Samrang awarded to M/s Bhutan PEB Engineering. The excess payment had occurred due to overstatement of the built-up area of cold storage based on which the contractor was paid for various items of work. The RAA recommended to recover the amount and deposit the amount into Audit Recoveries Account. **(AIN: COAD-2023-531; Obs. No. 4.1)**
36. The Dzongkhag Administration, Sarpang had made excess payment of Nu. 0.914 million in the Construction of Irrigation Channel at Barchuthang under Chhudzom Gewog which was awarded to M/s Tashi Yartshel Construction, Chukha. The excess payment had occurred due to differences in the quantities of some items of work paid for and actually executed at site. The RAA recommended to recover the

amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. **(AIN: OAAGTS-2024-109; Obs. No. 1)**

37. The Royal Court of Justice, Supreme Court of Bhutan had made excess payment of Nu. 0.907 million in the Construction of Dzongkhag Court, Gasa awarded to M/s Peljor Lhendup Construction. The lapses had occurred due to excess claims made in the bills. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the officials concerned. **(AIN: GCD-2024-189; Obs. No. 4.1)**
38. The Dzongkhag Administration, Lhuentse had made excess payment of Nu. 0.881 million in the Construction of 180 Bedded Hostel at Tangmachu Central School awarded to M/s Karma & Chimmi Builders Private Limited. The excess payment occurred due to excess claims made in the bills. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the official concerned. **(AIN: OAAGB-2023-450; Obs. Nos. 8.1 & 8.2)**
39. The Regional Office, Natural Resources Development Corporation Limited (NRDCL), Jakar had made excess payment of Nu. 0.840 million on account of machinery hiring charges in the Construction of Road at Chendebji Forest Management Unit. The excess payment had occurred due to enhancement of hours deployed compared to actual hours deployed as per the log book. The RAA recommended to determine the actual quantity of work done at the site and furnish report to RAA. **(AIN: OAAGB-2024-141; Obs. No. 1.1)**
40. The Thromde Administration, Gelephu had not collected rebates amounting to Nu. 0.828 million on account of procurement of cement for both works executed through contract and departmentally during the FY 2022-23. This had occurred due to the non-submission of records related to the procurement of cement to appropriate authorities to claim the rebates. The RAA recommended to claim the applicable rebates by submitting relevant documents to the authority. **(AIN: OAAGTS-2024-178; Obs. No. 2)**
41. Gamung Drongdey Community Forest (CF) under Shumar Gewog, Pemagatshel Dzongkhag had disbursed loans to CF members and private individuals aggregating to Nu. 0.784 million at the interest rate of 2% pa at the discretion of a few CF committee members. There was a lack of documentation of repayment and the details of accrued interest. The RAA could not ascertain the legitimacy of sanctioning loans without clear guidelines or SOPs on the use of funds. **(AIN: OAAGSJ-2023-348; Obs. No. 10.9)**
42. The Regional Office, Natural Resources Development Corporation Limited (NRDCL), Jakar had made payment of Nu. 0.758 million in the stone soling work carried out departmentally. The excess amount pointed out was due to difference in the lump sum amount awarded and the estimate based on LMC. The RAA raised

concern about the procurement process and the reasonableness of the rates paid. The RAA recommended to review the circumstances leading to award of work without soliciting competition and also for not preparing estimates to ensure reasonableness of the rates paid. *(AIN: OAAGB-2024-141; Obs. No. 1.3)*

43. The ADB funded Project 'Air Transport Connectivity Enhancement', implemented by DoAT, Paro had made excess payment of Nu. 0.757 million in the Construction of the Terminal Building at Bumthang Domestic Airport awarded to M/s Rinson Construction Private Limited. The excess payment had occurred due to the wrong application of price adjustment. The Project Management had recovered the excess payment but it is yet to initiate appropriate action on the officials concerned. *(AIN: ECD-2023-461; Obs. No. 1.1)*
44. The Thromde Administration, Thimphu made an inadmissible payment of 0.688 million in the Construction of Two MLD Water Treatment Plant at Ngabirongchu, Thimphu awarded to M/s E.W Construction Private Limited. The lapses had occurred due to non-adherence to contract clause in GCC specific to rectification of works damaged by landslide. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the officials concerned. *(AIN: SCD-2024-74; Obs. No. 7.1)*
45. The Regional Agriculture & Marketing Cooperatives (RAMCO), Mongar had made excess payment of Nu. 0.623 million in the Construction of Market Shed at Duksum Town awarded to M/s Yalang Construction, Trashiyangtse. The excess payment had occurred due to computation error in the quantity of works executed and difference in quantity and rate error. The RAA recommended to recover the excess amount and deposit into Audit Recoveries Account besides cautioning the officials concerned. *(AIN: OAAGB-2023-452; Obs. No. 2)*
46. The Dzongkhag Administration, Lhuentse had made excess payment of Nu. 0.621 million in the Construction of Flood Protection Works at Lekpagangchu awarded to M/s Peldang Construction Private Limited. The excess payment had occurred due to execution of work non adhering to the drawing and designs. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the official concerned. *(AIN: OAAGB-2023-450; Obs. No. 9.1)*
47. The Dzongkhag Administration, Sarpang made excess payment of Nu. 0.618 million in the Construction of Irrigation Channel (Mongar Kulo) under Samtenling Gewog which was awarded to M/s Iron K. Builders, Sarpang. The lapses had occurred due to payment of RA bills exceeding the value of works delivered. The RAA recommended to recover the amount and deposit into Audit Recoveries Account. *(AIN: OAAGTS-2024-109; Obs. No. 4.1)*
48. The Dzongkhag Administration, Sarpang had made excess payment of Nu. 0.587 million in the Construction of Bailey Bridge over Samatung and Approach Road

awarded to M/s Druk Samdrup Construction Private Limited, Sarpang. The excess payment had occurred due to the inclusion of advances while computing the price adjustments. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. **(AIN: OAAGTS-2024-109; Obs. No. 2.3)**

49. The Bhutan Livestock Development Corporation Limited (BLDCL) had made excess payment of Nu. 0.568 million in the Work of Supply, Erection, Installation and Commissioning of Office Complex at Samrang awarded to M/s Druk Wangyel Trader. The excess payment had occurred due to overstatement of built-up area of cold storage based on which the contractor was paid for various items of work. The RAA recommended to recover the amount and deposit the amount into Audit Recoveries Account. **(AIN: COAD-2023-531; Obs. No. 5.1)**
50. The Thromde Administration, Thimphu had made adjustment of Nu. 0.530 million against various parties without attaching the original bills. In the absence of the original bills, the RAA expressed concerns on possibility of double adjustments that would have been carried out besides violating the accounting norms. The RAA recommended to trace out original bills and furnish to RAA for review, failing which the amount to be recovered and deposited into Audit Recoveries Account. **(AIN: SCID-2023-115; Obs. No. 2.3)**
51. The Dzongkhag Administration, Thimphu had made excess payment of Nu. 0.528 in the Construction of Farm Road at Gasaburma under Kawang Gewog which was awarded to M/s Tshering P Construction, Thimphu. The lapses had occurred due to differences in quantities of RRM Wall paid for and actually executed at site. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. **(AIN: SCD-2023-412; Obs. No. 8.2)**
52. Chhimoong Pangthang Community Forest (CF) under Chhimoong Gewog, Pemagatshel Dzongkhag had cases of unauthorized withdrawals amounting to Nu. 0.522 million from the group bank account. The RAA could not verify the withdrawals/payment due to lack of proper documentation. The RAA recommended to either substantiate the withdrawals/payment with proper evidence or deposit the amount into the CF account besides initiating appropriate actions on the official concerned. **(AIN: OAAGSJ-2023-348; Obs. No. 10.5)**
53. The Punatsangchhu-II Hydroelectric Project (PHEP) had made an overpayment of Nu. 0.481 million for Steel Ribs due to repetition of Running Distance of N1A, Additional Surge Tunnel. The PHEP-II was recommended to constitute an independent technical team to review and reconcile the quantities for items within the Additional Surge Tunnel and furnish the status to RAA for review besides cautioning the officials concerned. **(AIN: ECD-2024-104; Obs. No. 10)**

54. The Dzongkhag Administration, Thimphu had made excess payment of Nu. 0.462 million to a Labour Contractor for the Construction New Drasha at Chizhi Goenba. The excess payment had occurred due to non-deductions of earlier RA bills from the final bill. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. *(AIN: SCD-2023-412; Obs. No. 13.7(i))*
55. The Dzongkhag Administration, Lhuentse had made excess payment of Nu. 0.432 million in the Construction of Flood Protection Works at Lekpagangchu awarded to M/s Peldang Construction Private Limited. The lapses had occurred due to the non-deduction of secured advances in computing the price adjustments as required by the SBD. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the official concerned. *(AIN: OAAGB-2023-450; Obs. No. 9.2)*
56. The Dzongkhag Administration, Zhemgang had made excess payment of Nu. 0.420 million in the Construction of the Dining Hall at Khomshar Primary School awarded to M/s Kortakali Construction. The lapses had occurred due to payment of RA bills exceeding the value of works delivered. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. *(AIN: OAAGB-2023-427; Obs. No. 5.1)*
57. The Dzongkhag Administration, Thimphu had not forfeited 10% Performance Security and differential amount aggregating to Nu. 0.402 million on termination of contract with M/s Kuentu Zangpo Construction, Wangdue for the Construction of Day Toilet at the then Genekha Lower Secondary School. The RAA recommended to recover the amount and deposit into Audit Recoveries Account. *(AIN: SCD-2023-412; Obs. No. 9.3)*
58. The Dzongkhag Administration, Zhemgang had made excess payment of Nu. 0.380 million in the Construction of Six-unit Classrooms at Yebilaptsa Central School awarded to M/s Dhekhhor Construction. The lapses had occurred due to the non-deduction of cross-sections, less execution and double payment for the RCC plinth beam. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. *(AIN: OAAGB-2023-427; Obs. Nos. 4.1 & 4.2)*
59. The Hotel & Restaurant Association of Bhutan (HRAB) had not received amount of Nu. 0.374 million from M/s Go-ximbo, a travel agency based in Bhutan on account of hotel charges during the visit to Mumbai. The bills pertained to 2019 incurred for travel fair to market the member hotels. The HRAB was recommended to expedite the recovery. *(AIN: COAD-2024-98; Obs. No. 2)*
60. The Bhutan Judo Association (BJA) had not deposited the amount of Nu. 0.352 million collected on account of membership fees from the members since 2016.

The RAA noted that there was no proper system for recording daily collection and deposit of fees and other revenues. The RAA recommended to update the records and ensure proper account of the funds and furnish report to RAA. **(AIN: GCD-2024-143; Obs. No. 1)**

61. The Regional Office, Department of Surface Transport (DoST), Tingtibi had made excess payment of Nu. 0.340 million in the Improvement of Road at Chekhar and Construction of Cross Drainages along Panbang-Mathanguri Road awarded to M/s Yarphe Builders, Zhemgang. The excess payment had occurred due to excess claim made in the bill. The RAA recommended to recover the excess amount and deposit into Audit Recoveries Account besides cautioning the officials concerned. **(AIN: OAAGB-2024-82; Obs. No. 4.1)**
62. The Thromde Administration, Samdrup Jongkhar had not deducted the rebate of Nu. 0.318 million in the Construction of Basketball Court at Dewathang and Samdrup Jongkhar Town awarded to M/s Pedgyel Construction, Zhemgang. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the officials concerned. **(AIN: OAAGSJ-2024-23; Obs. No. 7)**
63. The Dzongkhag Administration, Thimphu had made excess payment of Nu. 0.310 million in the Construction of new Drasha at Chizhi Goenba awarded to M/s Peldruk Construction, Thimphu. The excess payment had occurred due to non-deductions of doors, windows, columns and beams from the brickworks in superstructure, and payment at higher rate than quoted rates. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. **(AIN: SCD-2023-412; Obs. Nos. 13.4 (ii) & 13.4 (iii))**
64. The Dzongkhag Administration, Mongar had made excess payment of Nu. 0.290 million in the Construction of 120 Bedded Hostel at Mongar Higher Secondary School awarded to M/s Sonam Jamtsho & Bros Construction Private Limited. The excess payment had occurred due to non-deductions of horizontal and vertical RCC bands from the quantity of brickworks in the superstructure and the admittance of extra heights for each floor. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. **(AIN: OAAGB-2023-429; Obs. Nos. 15.2 & 15.3)**
65. The Thromde Administration, Thimphu had made excess payment of Nu. 0.279 million in the Construction of Two MLD Water Treatment Plant at Ngabirongchu awarded to M/s E.W Construction Private Limited. The lapses had occurred due to the non-deduction of additional work amount from the total work value considered for price adjustment GCC specific to rectification of works damaged by landslide. The RAA recommended to recover the amount and deposit into Audit

Recoveries Account besides initiating appropriate action on the officials concerned. **(AIN: SCD-2024-74; Obs. No. 7.2)**

66. The Dzongkhag Administration, Thimphu had made irregular payment of Nu. 0.278 million on account of muster roll and overtime allowance payment. The payments were made to skilled laborers who were already engaged in ancillary works including the construction of an RRM wall, electrification of the new Drasha, timber fabrication for the new Drasha, construction of CRM wall around the Lhaxhang, laying of Dolep, fencing, and paneling works through various labour contracts. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. **(AIN: SCD-2023-412; Obs. No. 13.5)**
67. The College of Language and Culture Studies (CLCS), Taktse, Trongsa had made excess payment of Nu. 0.276 million in the Construction of Four Blocks of Four Units Staff Quarter awarded to M/s Passang Construction Private Limited. The excess payment had occurred due to wrong quantification of work done in the work items of *plinth protection and RRM*. The RAA recommended to initiate recovery of the amount and deposit into Audit Recoveries Account. **(AIN: OAAGB-2024-208; Obs. No. 1)**
68. The Department of Biomedical Engineering, NMS, MoH had made excess payment of Nu.0.254 million in the Construction of 150 Bedded Mother and Child Hospital awarded to M/s Wangthang Construction Private Limited. The excess payment had occurred excess claims made for work items of centering and shuttering works on the floor slab. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. **(AIN: SoCD-2024-147; Obs. No. 12)**
69. The Thromde Administration, Thimphu had made payment of Nu. 0.250 million without attaching supporting bills/note sheet approvals. In the absence of minimum documents supporting the expenditure, the RAA could not vouch for the legitimacy of the payment made. The RAA recommended to trace out supporting documents and submit to RAA for review, failing which the amount to be recovered and deposited into Audit Recoveries Account. **(AIN: SCID-2023-115; Obs. No. 2.2)**
70. The Dzongkhag Administration, Sarpang had made excess payment of Nu. 0.244 million in the Construction of Bailey Bridge over Samatung and Approach Road awarded to M/s Druk Samdrup Construction Private Limited, Sarpang. The excess payment had occurred due to payment of higher rates than quoted rate for RRM and filling of trenches works. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. **(AIN: OAAGTS-2024-109; Obs. No. 2.1)**

71. The Dzongkhag Administration, Thimphu had made excess payment of Nu. 0.242 million in the Restoration of Chizhi Goenba awarded to a Labour Contractor. The excess payment had occurred due to the difference in quantities of RRM works paid for and actually executed at site. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. **(AIN: SCD-2023-412; Obs. No. 13.3)**
72. The Punatsangchhu-II Hydroelectric Project (PHEP) had made excess payment of Nu. 0.224 million in the contract Package C3 (Powerhouse) executed by M/s Jaiprakash Associates Limited. The excess payment had occurred due to the measurement of overlapping running distance in the raft and shear key of the cable trench. The PHEP-II was recommended to adjust the excess payment from the subsequent running bill and intimate to RAA for further review and record. **(AIN: ECD-2024-104; Obs. No. 8.1)**
73. The Thromde Administration, Thimphu had made double payment of Nu. 0.217 million in the Construction of One MLD Package Sewer Treatment Plant in Jungzhina (DBOT) awarded to M/s G.D Construction. The lapses had occurred due to the non-adjustment of previous payment of Nu. 0.217 million from the final bill. Though the amount was recovered, the Thromde Administration is yet to initiate appropriate action on the officials concerned. **(AIN: SCD-2024-74; Obs. No. 9.1)**
74. The Gewog Administration, Bumdeling under Trashiyangtse Dzongkhag had made excess payment of Nu. 0.201 million in the Improvement of Farm Road from Tshaling to Gangkhardung awarded to M/s Jimmy Builders. The excess payment had occurred due to the difference in quantities of sub-grade preparation and *Providing and Laying of GSB works* paid for and actually executed at site. The RAA recommended to recover the amount and deposit into Audit Recoveries Account and initiating appropriate action on the officials concerned. **(AIN: OAAGSJ-2023-482; Obs. No. 35.1)**
75. The Dzongkhag Administration, Mongar had not collected royalty amounting to Nu. 0.179 million for the extraction of GSB materials used for various Blacktopping of GC Roads carried out under the Dzongkhag. The RAA recommended to work out the applicable royalty based on the actual quantity of materials extracted and deposit the amount into Audit Recoveries Account. **(AIN: OAAGB-2023-429; Obs. No. 7)**
76. The Dzongkhag Administration, Thimphu had made excess payment of Nu. 0.173 million in the Restoration of Chizhi Goenba awarded to M/s C Tshering Stone and Sand Supplier, Thimphu. The excess payment had occurred due to the non-deduction of 15% voids applicable to boulders. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. **(AIN: SCD-2023-412; Obs. No. 13.1)**

77. The Thromde Administration, Thimphu had made an excess payment of Nu. 0.168 million in the Construction of One MLD Package Sewer Treatment Plant in Jungzhina (DBOT) awarded to M/s E.W Construction Private Limited. The lapses had occurred due to payment made at higher rates for additional items executed. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the officials concerned. *(AIN: SCD-2024-74; Obs. No. 8.2)*
78. The Dzongkhag Administration, Lhuentse had made excess payment of Nu. 0.168 million in the Construction of Gender Friendly Toilet at Nakeythang awarded to M/s Yangsel Dargey Construction. The excess payment had occurred due to difference in the quantities of RRM wall paid for and actually executed at site. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the official concerned. *(AIN: OAAGB-2023-450; Obs. No. 13)*
79. The ADB funded Project 'Air Transport Connectivity Enhancement', implemented by DoAT, Paro had not withheld the amount of Nu. 0.160 million in the Construction of the Terminal Building at Bumthang Domestic Airport awarded to M/s Rinson Construction Private Limited. The amount was to be withheld for non-submission of "as built" drawings as per the contract. The Project Management was recommended to obtain "as built" drawings from the contractor and furnish report to RAA. *(AIN: ECD-2023-461; Obs. No. 1.4)*
80. The Dzongkhag Administration, Sarpang had made excess payment of Nu. 0.160 million in the Construction of Six-unit Classrooms at Sarpang MSS which was awarded to M/s Bumzang Builders, Zhemgang. The excess payment had occurred due to the non-deduction of lintels and cornices from the brickworks and non-deduction of columns and beams from the formwork. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. *(AIN: OAAGTS-2024-109; Obs. No. 5)*
81. The Dzongkhag Administration, Lhuentse had made excess payment of Nu. 0.149 million in the Relocation of Dungkar Primary School awarded to M/s Gyedken Construction. The excess payment had occurred due to difference in the quantities of RRM wall paid for and actually executed at site. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the official concerned. *(AIN: OAAGB-2023-450; Obs. No. 15)*
82. The Dzongkhag Administration, Trashiyangtse had made inadmissible payment of Nu. 0.134 million on account of daily allowances. The RAA noted that the Dzongkhag had disbursed daily allowances to officials on election duty for the National Council Election who travelled to nearby places which was not

admissible. The RAA recommended to recover the amount and deposit into Audit Recoveries Account. **(AIN: OAAGSJ-2023-482; Obs. No. 11)**

83. The IFAD funded Project 'Commercial Agriculture Resilient and Livelihoods Enhancement Programme', Wengkhar, Mongar had not deducted liquidated damages of Nu. 0.123 million for the delay in the completion of the Construction of LN2 Building at Khangma awarded to M/s S Gyeltshen Construction, Lhuentse. The RAA recommended to initiate recovery of the amount and deposit into Audit Recoveries Account. **(AIN: OAAGB-2023-336; Obs. No. 1.2)**
84. The Eastern Regional Referral Hospital (ERRH), Mongar had made excess payment of Nu. 0.120 million due to wrong pay fixation during promotion and providing increments prior to rendering one year of service. The RAA recommended to recover the excess amount and deposit into Audit Recoveries Account besides cautioning the officials concerned. **(AIN: OAAGB-2024-209; Obs. No. 1)**
85. The IFAD funded Project 'Commercial Agriculture Resilient and Livelihoods Enhancement Programme' Wengkhar, Mongar had made excess payment of Nu. 0.114 million on account of transportation of cattle. The excess payment had occurred due to inflation of distance between locations. The RAA recommended to initiate recovery of the amount and deposit into Audit Recoveries Account. **(AIN: OAAGB-2023-336; Obs. No. 7.1)**
86. The Gewog Administration, Tsaenkhar under Lhuentse Dzongkhag had made excess payment of Nu. 0.110 million in the Maintenance Work of Farm Road at Dorshong Gonpa awarded to M/s. Chitse Construction. The excess payment had occurred due to difference in the quantities of stone soling work paid for and actually executed at site. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the official concerned. **(AIN: OAAGB-2023-450; Obs. No. 17)**
87. The Dzongkhag Administration, Samdrup Jongkhar had made double payment of Nu. 0.108 million in the Construction of Four Unit Staff Quarter at Jomotshangkha BHU awarded to M/s Dejung Bumzang Construction. The lapses had occurred due to payment for plastering works twice. The RAA recommended to recover the amount and deposit into Audit Recoveries Account. **(AIN: OAAGSJ-2023-494; Obs. No. 12)**
88. The Dzongkhag Administration, Thimphu had made double payment of Nu. 0.108 million on account of retirement benefits of employee who separated from service. The RAA noted that the benefits were released twice through different vouchers. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate actions on the officials concerned. **(AIN: SCD-2023-412; Obs. No. 1.1)**

89. The Dzongkhag Administration, Lhuentse had made inadmissible payment of Nu. 0.107 million on account of salary to the employee on EOL. The RAA recommended to recover the amount and deposit into Audit Recoveries Account besides initiating appropriate action on the official concerned. **(AIN: OAAGB-2023-450; Obs. No. 1.1)**
90. The Royal Court of Justice, Supreme Court of Bhutan had made excess payment of Nu. 0.103 million in the Construction of Dzongkhag Court, Gasa awarded to M/s Peljore Lhendup Construction. The lapses had occurred due to non-provision of items of flooring as per the specifications. The RAA recommended to recover the amount and deposit into Audit Recoveries Account. **(AIN: GCD-2024-189; Obs. No. 4.2)**
91. The Dzongkhag Administration, Zhemgang had outstanding PW Advances of Nu. 0.101 million against M/s Kortakali Construction. The outstanding balance pertained to mobilization and material advances released for the construction of Dining Hall at Khomshar Primary School. The RAA recommended to recover/adjust the advance and settle the accounts. **(AIN: OAAGB-2023-427; Obs. No. 5.2)**
92. Ngangashing Phendey Gyelsey Thrunkar Community Forest (CF) under Dechenling Gewog, Pemagatshel Dzongkhag had a case of leasing of Community Forest Land to a private party (TashiCell) for erecting Mobile Tower without the approval of the Ministry. The RAA learnt that the company had discussed with the officials from the Forests and had agreed to charge a fee of Nu. 0.015 million for constructing of the tower on the community forest land without executing any agreement. The RAA recommended the CF group to consult Dzongkhag to provide legitimacy of the arrangements. **(AIN: OAAGSJ-2023-348; Obs. No. 10.7)**
93. The Bhutan National Bank Limited (BNBL) had cases of missing collateral details in the Collateral Data in some of the collaterals reflected in the Overdraft loan accounts which may lead to providing of wrong information to CIB as the financial institutions serve as the main source of credit information to CIB. The BNBL was recommended to verify all loan accounts and ensure that these are linked with the collateral details, and furnish the final system-generated loan and collateral data for further verification. **(AIN: COAD-2023-501; Obs. No. 9)**
94. The Dzongkhag Administration, Gasa had accepted substandard works in the Blacktopping of the Approach and Internal Roads at Bjishong Central School awarded to M/s Tashi Delek Construction, Punakha. The RAA noted that the binding materials were not properly compacted, improper laying of asphalt works and thickness requirement of 50mm was not maintained. The RAA recommended to initiated immediate rectification of the works and furnish report to RAA besides initiating appropriate actions on officials concerned. **(SCD-2023-393; Obs. No. 9.2)**

95. The Dzongkhag Administration, Gasa had accepted defective stone soling, drainage and Wet Mix Macadam (WMM) works at NHDCL Colony executed by M/s Yethro Dolma Construction. The defects had occurred possibly due to non-execution of works items WMM and Road Cross Fall as per BoQ specification leading to undulations in the road surface. The RAA recommended to initiate immediate rectification of the works and furnish report to RAA. *(AIN: SCD-2023-393; Obs. No. 11.1)*
96. The Gewog Administration, Bumdeling under Trashiyantse Dzongkhag had accepted defective works in the Improvement of Farm Road from Tshaling to Gangkhardung awarded to M/s Jimmy Builders. The RAA noted that approximately 60 meters of Granular Sub Base (GSB) works were damaged. The RAA recommended for immediate rectification of the works and furnish report to RAA. *(AIN: OAAGSJ-2023-482; Obs. No. 35.2)*
97. The Bhutan Taxi Association (BTA) had missing five numbers of cash receipt booklets noted during the audit. The missing booklet series were 1001-1100, 1201-1300, 3201-3300, 3401-3500 and 3601-3700. The RAA recommended to trace out the missing cash receipt booklet and produce to RAA for verification. *(AIN: COAD-2024-36; Obs. No. 2)*

3.3.2 Agencies with Cases of Shortfalls, Lapses and Deficiencies

Agency-wise shortfall, lapses and deficiencies provided in **Table 3** shows that the Punatsangchhu-II Hydroelectric Project – II had the highest irregularities amounting to Nu. 551.344 million followed by State Mining Corporation Limited with Nu. 497.177 million, representing 31.75% and 28.63% respectively.

Table 3: Top 10 Agencies with Cases of Shortfalls, Lapses and Deficiencies with Amount:

Sl. No.	Agency	Amount (Nu. in million)
1	Punatsangchhu-II Hydroelectric Project	551.344
2	State Mining Corporation Limited	497.177
3	Mangdechhu Hydropower Plant	188.567
4	Farm Machinery Corporation Limited	121.048
5	State Trading Corporation of Bhutan Limited	69.135
6	Construction of 150 Bedded Mother & Child Hospital, DoBE, NMS	58.819
7	Food Corporation of Bhutan Limited	35.113
8	Loden Foundation	27.464
9	Thromde Administration, Thimphu	20.582
10	Dzongkhag Administration, Trongsa including Gewogs	16.630

4. CONCLUSION

The RAA had issued unmodified (clean) opinion on the Annual Financial Statement of the Royal Government of Bhutan for the FY 2023-24.

As usual, the most irregularities pertain to construction specifically on extra claims and quality issues. Despite the repeated calls on the leadership of agencies to remedy the systems and exercise appropriate controls, it appears to bear little impact. Even the deterrence approach through the demand for stringent actions on those responsible through audit reports does not yield the desired results. The inefficiencies of expenditure manifested through various forms of irregularities will have far-reaching impacts on the government in allocation of resources besides undermining public financial management system. On a positive note, the reported irregularities have not surged drastically compared to recent years which can be indication of peaking before it reverses.

The RAA has been persistent in seeking those actions for each of the irregularities reported and constantly conducts follow-ups to ensure that agencies/individuals address the audit recommendations. The RAA earnestly believes that promoting good governance is a collective effort and to a large extent, depends on the cooperation of the public agencies and individuals in terms of positively responding to the audit recommendations.

Based on the nature of issues and their possible causes, the RAA developed a total of eight recommendations aimed at improving governance in the public sector.

5. RECOMMENDATIONS

After reviewing the audit findings from the reports issued during the year and comparing them with the past audit reports; and based on the discussions and observations made during the process of auditing, the RAA developed a total of seven recommendations aimed at better governance. The agencies and authorities should be obliged to act upon each of these recommendations as applicable to ensure that deficiencies identified are remedied and performance of agencies is improved. Further, with reinforcement of strategies to enhance accountability through persistent efforts and rigorous follow-up mechanisms to demand actions for treatment, sanctions and correction, the RAA expects to add impetus to improve the overall governance in the public sector.

5.1 GOVERNMENT SHOULD FOCUS ON QUALITY CONSTRUCTION

Compromising the quality of public works continues to be a matter of serious concern throughout executing agencies. Despite the formulation of the National Construction Industry Policy 2020 which outlines the improvement quality of construction as one of the policy objectives, the results are yet to take effect on the ground. The issues of quality failures permeate across the implementing agencies commonly demonstrated through the practice of accepting substandard materials and defective works. The RAA during the year had raised 139 cases of defective and sub-standard works executed across 62 agencies and projects out of which 91 cases have been rectified upon RAA's insistence across 23 agencies and projects.

While the whole ecosystem of the construction industry and its state of professionalism may dictate the quality of public works in general, there are also opportunities for the executing agencies to rein in some of the undesirable practices commonly manifested through lax attitude in terms of not observing minimum due diligence and prudence by those charged with responsibilities. Some of these are:

- a) Not undertaking proper planning and feasibility studies;
- b) Improper drawings and designs;
- c) Not enforcing quality assurance and control functions to ensure the quality of constructions;
- d) Not ensuring adequate monitoring and supervision;
- e) Not assessing the quality at the time of taking over of works;
- f) Not obliging the contractors to rectify the work within the defect liability period.

Besides, the RAA cannot rule out the possible existence of collusion and other fraudulent practices.

The persisting quality issues in the construction sector undermine the value for money in public investments besides other socio-economic implications. To address this, the MoIT should evaluate and review the implementation of the National

Construction Industry Policy 2020 for appropriate interventions in areas where executing agencies are lagging in terms of implementation. As an urgent measure to curb undesirable practices contributing to compromising the quality of construction, there is a need to oblige the agencies to:

- i) Enforce quality controls and assurance functions on a priority basis to nip at the root of the current problems leading to quality compromise;
- ii) Maintain photographic evidence or the video of work done, especially of key stages for record and future reference; and
- iii) Consider use of CCTVs at construction sites to ensure proper monitoring and supervision.

5.2 GOVERNMENT SHOULD ENFORCE ROBUST MECHANISMS AND STRICTER MEASURES TO CURB EXCESS PAYMENT IN PUBLIC PROCUREMENT

The RAA during the financial year 2023-24 reported total excess payment of Nu. 860.994 million pertaining to public procurement, specifically in the construction works. These cases were admission of claims in excess of value of works delivered occurring in the form of enhanced claims, less execution, inadmissible and unjustified payments, payment for un-executed works, etc. As serious as the quality concerns, excess payments in construction in the government have become perennial issues that lead to draining out huge public resources. It also impinges on the quality of constructions, especially in cases of payments made for works not executed.

Most of the cases of admission of extra claims appear prima facie the act of deception and dishonesty with the intent to derive undue benefits through deliberate misrepresentations in collusion with the parties. It is only due to the inability to obtain the standard of proof that the RAA cannot recommend agencies to charge the perpetrators for fraudulent acts. Such acts are manifested through deliberate compromising of the processes of due diligence and prudence in the verifications and scrutiny of bills which are commonly justified as mistakes and oversights.

In cases where fraudulent intents are ruled out, the lapses generally occur due to some of the following reasons:

- Inexperience of the officials (engineers);
- Inadequate monitoring and supervision of the sites;
- Multiples sites assigned to a single engineer affecting efficiency and effectiveness;
- Improper or inadequate maintenance of records; and
- Inadequacies in oversight role by Heads of Agencies.

As a part of the new strategy, the RAA resorted to seeking appropriate actions on the individuals responsible for making excess payments in addition to personal obligations for restitution and indemnification of the losses. During the year, RAA recommended appropriate actions on 150 officials across 33 agencies. Despite the

stringent accountability measures, the trend of cases of excess payment does not seem to reverse. Unless the systemic approach to addressing the issues of excess payments is addressed, it is apparent that there cannot be any improvement.

In order to have systemic approach to address the persisting issue of excess payment, the Government may consider directing the executing agencies to enforce delegation of responsibility for monitoring and supervision through proper Standard Operating Procedures for site supervisors and oversee its compliances through regular reporting. For any observed glaring cases of excess payments, the agencies should be directed to take administrative actions against the defaulting officials. At the central level, the government may look into the matters of:

- Capping of the number of sites/constructions per site engineer or by value and complexity of construction works;
- Placement policy of engineers based on levels/positions/experience; and
- Capacity building/Up-skilling of engineers based on need.

5.3 NEED TO ENSURE STRICT ADHERENCE TO SPECIFICATION OF GRANULAR SUB-BASE (GSB) WORKS FOR FARM ROADS

The Government as a part of its Economic Contingency Plan prioritized to surface its Farm Roads with granular sub-base (GSB) and accordingly spent Nu. 5,503.08 million in the 12th FYP. The same is expected to continue in the 13th FYP to improve the Farm Roads for market access to rural communities entailing huge amounts of funds.

Over the years, the RAA has observed various audit issues related to laying of GSB on the Farm Roads. The audit issues raised included occurrence of potholes, erosion, and washouts within a short span of taking over the completed GSB works, use of poor quality GSB materials or improperly graded materials, inadequate compaction etc. These issues potentially affect the durability of the roads, besides entailing substantial costs of maintenance.

The Specification for Buildings and Roads 2020 prescribes standards for laying GSB including the scope, grading and composition of materials, physical requirement of materials as well as the process of construction to ensure the quality of GSB laid. If the execution of GSB were as per the specifications and execution process prescribed, the instances of quality compromise could be minimized. Thus, non-conformity to specifications are apparent reason contributing to degradations, erosions and non-functionality that undermines the value of public expenditure. Further, the frequent maintenance cost that may be required would be an additional financial burden on the government.

The 13th FYP identifies infrastructure building across the nation as a strategic area for government investment and the budgets earmarked are substantial. While the farm roads are critical for connectivity for boosting economic activities in the Gewogs and Dzongkhags, improvement of farm roads must be done in a sustainable and prudent manner that ensures benefits to the community as well as avoids additional costs by

way of recurring maintenance requirements. In order to ensure value for money in the improvement works of farm roads, the government may look into considering the following options:

- i) Obligating the implementing agencies for robust monitoring and supervision of the GSB works to ensure compliance to the specifications and take a firm stand on any instances of compromise on its compliance to the specifications;
- ii) Since the GSB is technically not a final layer of the road, it is inherently vulnerable to wear and tear leading to potholes, undulations, scouring etc. reducing its durability and require frequent maintenance entailing additional resources. Thus, there is a need to review the cost and benefits to consider the option of going for a complete Base Course for all farm roads in the country; and
- iii) Some of the farm roads are not pliable at all while many are pliable only during the dry season. Therefore, instead of going for the numbers, the Government should go for a few or on a phase-by-phase basis but with proper quality that can be used all throughout the year.

5.4 NEED TO REINFORCE THE ADMINISTRATION OF LEASING GOVERNMENT LANDS

To facilitate various socio-economic activities, the lease of government land is administered as per the provision of the Land Lease Rules and Regulations 2018. The National Land Commission Secretariat (NLCS) assumes the sole authority to approve both the short-term and long-term land leases while the Dzongkhags and Thromdes have the authority to approve the temporary leases.

The RAA noted several irregularities relating to the administration of land leases. Some of those included serious breaches in terms of uses of government land without approval and in some cases, approval beyond the authority of Dzongkhags and Thromdes indicating non-compliance to the authorities governing the land lease. The operational issues included non-regulation of the uses for which the leases were approved, pending settlement of lease rents, and varying terms and conditions of the lease. Such practices have the potential to undermine the objective of leasing government land for balanced and equitable socio-economic development, sustainable management of natural resources and fostering the sense of ownership and belongingness besides being construed as a serious violation of the Law. Further, the RAA also noted the cases of leasing private land and building structures by government agencies/local governments either with no formal agreements or with varying conditions of agreement.

In view of the fragmented information on the lease of government land across Dzongkhags and Thromdes, the National Land Commission Secretariat (NLCS) should consolidate and update the information on government land leases in coordination with Dzongkhag and Thromdes for effective regulation and administration of government land leases. The NLCS should ensure effective monitoring and supervision of the leasing of government land and its uses as per the Land Rules and

Regulations. Further, the Government should review and regulate the practices of leasing private land by the government agencies.

5.5 NEED TO ADDRESS THE ISSUE OF WASTEFUL EXPENDITURES IN GOVERNMENT AND PUBLIC AGENCIES

The wasteful expenditures are generally inefficiency in the use of public resources arising from unnecessary and imprudent expenditures without accruing any value, economic or otherwise in return for the investment made. While all issues that are reported as irregularities qualify to be termed as wasteful, for the purpose of this recommendation, it is intended to mean those expenditures incurred for the acquisition of assets/equipment which could not be put to intended use after making a substantial investment. Such circumstances arise generally when proposals for investment are made without proper assessments as to its requirements, uses and feasibility.

The RAA over the years have reported several instances of such expenditures at various agencies, the aggregated value of which would have significant impact on public resources besides undermining accountability and transparency in the use of public funds.

These issues can be attributed to inadequacies in planning, budgetary controls and risk management practices, which need to be reinforced across agencies. The Government may consider reinforcing the practice of needs assessment, proper scrutiny of proposals and budgets, and effective monitoring of the implementation of the activities.

Some of the cases of wasteful expenditures

The JDWRH overlooked important aspects of need analysis and pre-feasibility studies in the installation of radiotherapy services costing Nu.117.978 million leading to non-utilization of equipment.

The State Mining Corporation Limited, Samtse had a case of underutilization of Coal Washery installed at the cost of Nu. 40.846 million in Samdrupchholing. The Coal Washery remained non-operational despite significant investment made in its acquisition.

The Zero Energy Cold Store structures constructed by the National Post Harvest Centre (NPHC) for Nu. 12.582 million is lying idle, leading to wasteful expenditure due to insufficient feasibility studies and lack of diligence in making investment decisions.

The Gewog Administration, Gomdar constructed a new office building at the cost of Nu. 12.096 million at Khoyar. The new office was underutilized due to conflicts amongst various communities and local leaders with respect to the location of new office building.

A crematorium constructed by the Dzongkhag Administration, Trongsa at a cost of Nu. 4.764 was later converted to a roadside amenity by incurring an additional cost of Nu. 3.991 million. The crematorium was never used by the public/community amply indicating construction preceding the public consultation for the location, thereby leading to wasteful expenditure.

Despite having an existing road leading to Oilingbee, the Gewog Administration, Goshing incurred wasteful expenditure of Nu. 1.289 million in constructing another Farm Road starting from Surphang to Oilingbee justifying reduction in distance. However, the new road was not pliable due to want of a bridge over the river.

5.6 NEED TO ENFORCE STRICT COMPLIANCE TO PRICE ADJUSTMENT CLAUSE TO AVOID INADMISSIBLE PAYMENTS

The RAA during the year 2023-24 had noted inadmissible payment of Nu. 551.510 million on account of price adjustments by the agencies. The price adjustments if allowed are included in the General Conditions of Contract to adjust price fluctuations under certain circumstances to safeguard against risk of significant fluctuations in prices.

The RAA observed several cases of wrong computation of price adjustments leading to substantial overpayments to the contractors. Some of the reasons for incorrect computation were:

- Non-deduction of correct value of Material Secured Advance recovered from the total work done value for the purpose of computation of price adjustment for the period.
- Inclusion of those items which are already paid at analysed/market rate for the purpose of computation of price adjustment for the period.
- Unjustified grant of time extensions enabling contractors for undue privilege to claim for Price Adjustments.
- Reduced Work Done Value during first 12 months period and claiming from subsequent months onwards to claim Price Adjustments.

Some of the significant cases of inadmissible payment due to wrong computation of price adjustment

The Punatsangchhu-II Hydroelectric Project had made payment of price adjustment of Nu. 511.970 million without granting time extension in the construction of Diversion Tunnel, Dam, Intake and De-silting Arrangement including Hydro-mechanical work and Highway Tunnel executed by M/s Jaiprakash Associates Limited.

The College of Natural Resource, Lobesa had made in-admissible payment of Nu. 2.246 million on account of price adjustment due to payment of different price index in the construction of 156 bedded hostel and site Development work.

The Department of Biomedical Engineering, National Medical Service, MoH had made overpayment of Nu. 2.160 million for the price adjustments. The contractor had not considered the correct value of work done and also applicable deductions for the value of Material Secured Advances and value of item claimed at new rate while computing the payable value of price adjustment.

Thimphu Thromde had made excess payment of Nu. 1.349 million to M/s E.W Construction Private Limited on account of price adjustment due to non-deduction of additional work amount from the total work value considered for price adjustment in the Construction.

- Computation of price adjustment payment based on Wholesale Price Index of India (WPI) instead of NSB published Consumer Price Index.

These lapses occur amidst improper records related to works delivered, time extensions granted, advances released or any other information related to the contract. Therefore, the Government may consider directing the agencies to strictly comply with the price adjustment clause and maintain mandatory Physical and Financial Progress Report updated regularly and ensure proper scrutiny of the workings for price adjustments.

5.7 THE GOVERNMENT SHOULD COME OUT WITH CLEAR GUIDELINES ON HOSPITALITY AND ENTERTAINMENT EXPENSES

Over the last three years, the government spent Nu. 91.806 million on Hospitality and Entertainment (H&E) Expenses alone across ten Ministries, the Supreme Court, National Council, National Assembly and Cabinet Secretariat. Additionally, another Nu. 35.227 million was spent on Discretionary Grant by these same agencies. The RAA has been recommending to the government through its various reports to come out with a clear Guideline on both Hospitality & Entertainment Expenses and Discretionary Grant. While few guidelines were issued, the guidelines lacked clarity. It is often justified that those expenditures not specified as disallowed are permissible as long as it is within the prescribed limit. Some of the observations made by RAA during the course of auditing include;

- *Ngwendhar, Semso* and Cash *Soelra*/Tips paid from Hospitality & Entertainment Expenses. Such *Soelra*, since paid at the discretion of the individuals, should form part of Discretionary Grant.
- With the latest Pay Revision, the Discretionary Grant has been prorated per month and paid along with the monthly salary. In absence of any specific criteria on the nature of expenses falling under Discretionary Grant, it only becomes an additional income for the one receiving the Grant, since all expenses whether discretionary or not are all paid from H&E.
- Too many instances of Cash *Soelra* were found paid. In one instance, a cash *Soelra* of Nu. 30,000 was paid to a cook. The RAA was of the opinion that since *Tokha* is not allowed to be booked under H&E, such huge Cash *Soelra* could have been on account of *Tokha*.
- *Soelra* to drivers and security personnel escorting the Hon'ble Ministers is not found necessary since such *Soelra* are paid from the government Fund.
- Large number of *Ghos/Kiras* bought from H&E during the visit to one's constituency.
- *Semos* paid to people from one's constituency.
- H&E expenses being charged to travel as actual expenses and also under in-country meetings and celebrations.

- The H&E ceiling of Nu. 1.500 million for Cabinet Ministers and equivalent position holders seems to be a mere formality since additional funds are always granted without any objections. During 2022-23, the overall H&E budget was revised from Nu. 18.500 million (budgeted) to Nu. 82.710 million (actual).

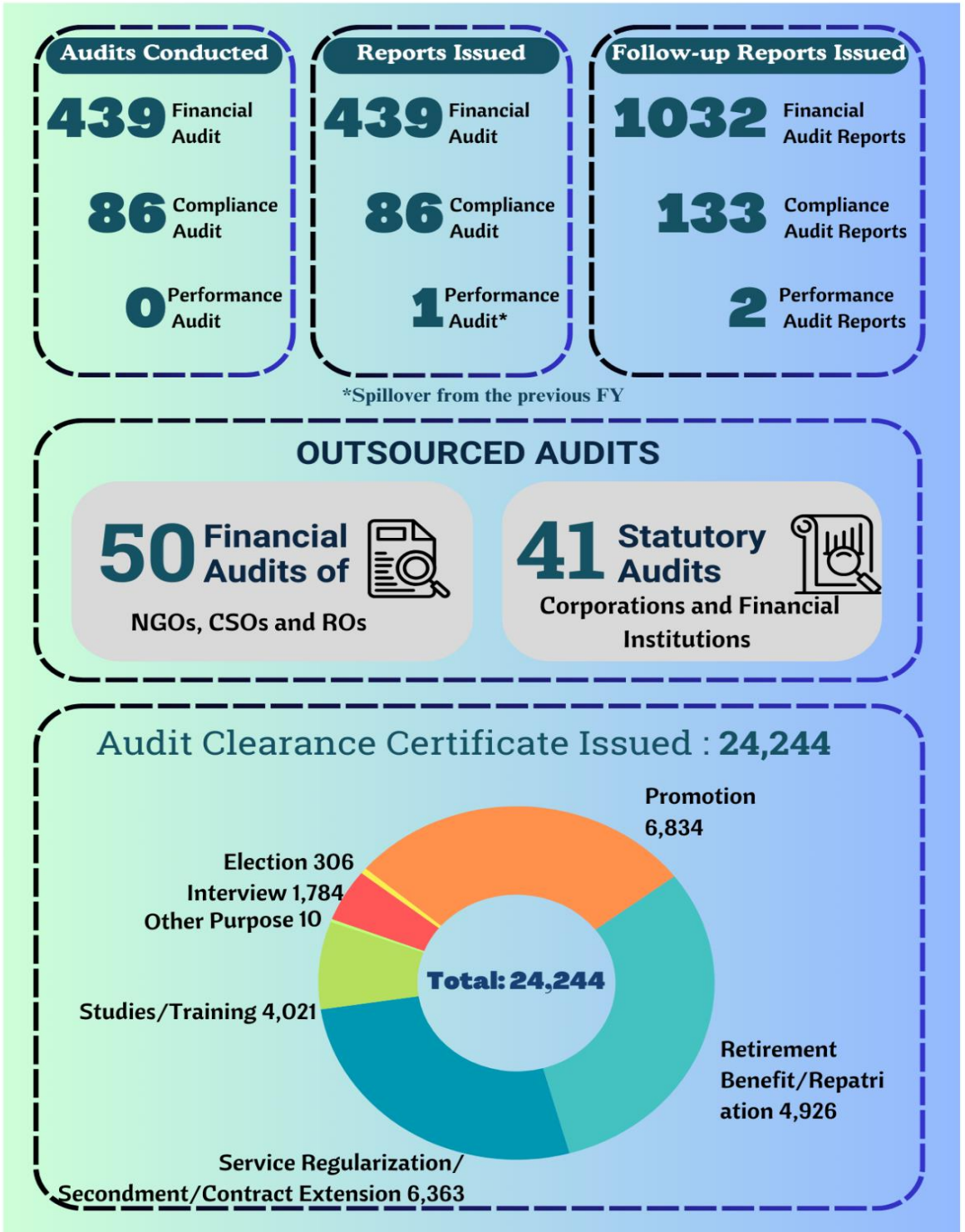
Without obligation to produce bills and documents to support the discretionary grant, there is no transparency in the use of the fund. It appears that even the expenditures that could be met from discretionary grants are charged to H&E.

Thus, in order to ensure transparency in the use of public resources, there is a need for more clarity on the nature of expenditure to be allowed or disallowed from the H&E to exercise prudence and control on such expenditures.

CHAPTER 6

6. ABOUT THE ROYAL AUDIT AUTHORITY

6.1 Performance Highlight and Key Achievements of the Year



Institutional Linkages

NATIONAL

The Parliament
10th Session (Third Parliament)

Submission

- Annual Audit Report 2022-23
- Follow-up Review Report of AARs 2010 to 2021-22

Deliberation

- Performance Audit Report on Irrigation Systems
- Performance Audit Report on Preparedness for Cyber Security

1st Session (Fourth Parliament)

Submission

- Performance Audit Report of Operations of State Mining Corporation Limited

Deliberation

- Annual Audit Report 2022-23
- Follow-up Review Report on AARs 2010 to 2021-22

ORGANIZATIONAL

Anti Corruption Commission

- 12th Working Committee Meeting (26/12/23)
- 13th Working Committee Meeting (29/5/24)
- 10th Bilateral Meeting (1/8/23)



Public Accounts Committee
Consultative Meeting for one week in May 2024

2nd
Tripartite Meeting
(5-7 March 2023)



Anti-Corruption Commission (ACC)
Royal Audit Authority (RAA)
Office of the Attorney General (OAG)

Royal University of Bhutan

Memorandum of Understanding on the institution
of Integrity Clubs in colleges under the Royal
University of Bhutan

Institutional Governance

Internal Audit Conducted

External Audit Conducted
-Dechok & Association Pvt. Limited

HR Management & Development

5 In-house
Training



13 Meetings/ Seminars/
Webinars attended
(INTOSAI, ASOSAI, IDI)

4 Facilitated trainings/
workshops

1 Induction Program
for New Recruits

Annual Budget & Expenditure



Total Budget
Nu.218.963 million

Expenditure
Nu. 215.885 million



Achievement
98.58%

6.2 Audit Impact in the FY 2023-24

The RAA is dedicated to delivering value and benefits to citizens through rigorous auditing and reporting efforts, aligned with INTOSAI P-12 (Principles of International Auditing Standards). A key strategic goal in our 2020-2025 Plan is "Improved public sector accountability and performance," highlighting our commitment to driving positive changes.

Our audits play a crucial role in ensuring accurate financial statements, promoting transparency, enhancing compliance, and improving public sector performance, which ultimately lead to better governance, accountability, and service delivery. Achieving these outcomes requires collaboration with diverse stakeholders, including audited entities, to implement audit recommendations effectively.

Our impact extends well beyond financial recoveries and encompasses a range of positive changes, including policy shifts, strengthened institutional systems, substantial cost savings, operational improvements, and enhanced accountability. While the full extent of our long-term impact will become more apparent over time, we have already achieved significant strides, such as government cost savings and the promotion of accountability and ethics within the public sector.

As we move forward, our commitment remains unwavering, and we pledge to uphold the highest standards of auditing while actively contributing to a transparent and accountable public sector. We seek collaboration from audited entities to implement audit recommendations, envisioning lasting transformation and trust in our nation's governance. Together, we are forging a future where ownership and accountability become intrinsic, benefiting our cherished citizens and aligning with His Majesty's vision for a *Developed Bhutan*.

This section highlights tangible outcomes achieved during FY 2023-24, serving as a testament to our dedication to transparency, accountability, and governance excellence which is corroborated by our survey which was administered to all our audited entities. These audit impacts exemplify our role as a catalyst in creating a better environment for our citizens, one audit at a time.



AUDIT IMPACT 2023-2024

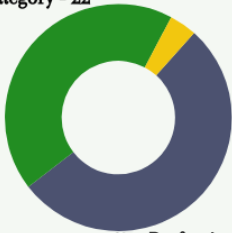
150

Administrative Actions Recommended across 33 Agencies

51 TAKE ACTION

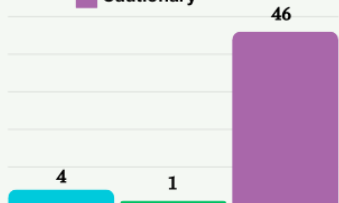
Officials faced administrative actions

Supervisory & Support Category - 22 2 - Non-civil servants



27 - Professional & Management Category

- Reprimand
- Increment Withheld
- Cautionary



RAA champions the cause of Public Accountability dissuading officials from engaging in illegal and unethical conduct

439

Accounts audited and certified

Auditing leads to Public Confidence and Trust in Government fostering a stable and thriving democracy



405.302 million



Cost Savings

Ensuring financial integrity

91 works rectified

Ensuring quality and sustainability in construction projects

RAA influences Strategic Directions

Steering cybersecurity with a National Strategy for stronger threat preparedness.

Effecting review of old Thimphu Structural Plan and development of new TSP & Design Code

Initiating policy framework for managing the arable land of the country

RAA contributes in

Creating safer roads through road safety audits



RAA facilitates streamlined processes

Improved business process in 15 agencies, resulting in 18 instances of enhancement



Compliance assured in 21 instances across 17 agencies

12 instances of incomplete works completed across 7 agencies





Survey Findings

We asked our audited entities
412 respondents

Our survey findings corroborate with our audit



Improved Financial Management System



Improved compliance with Rules and Regulations



New practices and procedures were learnt



Improved Transparency



Enhanced accountability



Streamlined and improved processes



Helped identify and manage potential risks



Improved service delivery

The survey respondents had the following to say when asked for examples of positive changes due to audit, aligning with our mission to enhance transparency, accountability, and efficiency:

PFM SYSTEM

DOCUMENTATION
ACCOUNTABILITY
INTERNAL CONTROLS
PERFORMANCE
PROCUREMENT PROCESS
COMPLIANCE
ENHANCED PERFORMANCE

Together, we are forging a future where ownership and accountability become inherent, and the aspirations of His Majesty for a Developed Bhutan are attained.

6.3 Key Strategies and Interventions Undertaken During the Year

6.3.1 13th Five Year Plan

In line with the 13th Five-Year Plan's overarching objective of achieving a High-Income GNH Economy, the RAA is committed to contributing through targeted outcomes and outputs that strengthen the effectiveness, accountability, and oversight of Bhutan's public sector and state institutions. Under Outcome 1, aimed at transforming Bhutan's public sector into a dynamic, result-oriented agent of change, the RAA will ensure at least 90% of audit coverage is achieved by 2029. As part of this commitment, the RAA will work toward improving public sector accountability and robust management practices across all levels of governance.

Additionally, under Outcome 2, focused on ensuring inclusive, transparent, and accessible justice, the RAA aims to enhance the rate of audit recommendations implemented from 40% to 60% by 2029, promoting transparent rule of law and reinforcing public oversight.

The plan will be operationalised through a detailed operational plan developed and closely monitored through periodic reviews and evaluations.

6.3.2 Revamping of Audit Information Management System

The RAA formed a Business Engineering and Strategy Committee to steer the upgradation works of the Audit Information Management System (AIMS). The empowered committee comprises of all heads of departments and some of the heads of divisions based on relevance and expertise vested with the authority to make strategic decisions as to the functional requirements based on the strategic objectives of the organization and the operational requirements. The RAA opted for engaging in-house IT personnel in the re-engineering and revamping project. The committee continuously engages with the development teams and monitors the progress of work.

The project aims to integrate new requirements in the existing modules to support Management Information System for efficient business decision-making besides addressing technical glitches faced in the operation of the AIMS on a daily basis.

6.3.3 Realigning and Adjustment of Audit Planning Period

To ensure the effectiveness of the dedicated audit planning periods, the RAA revised the schedule for the July and January planning cycles. The July planning period, previously set from 1st to 31st July, was changed to 15th July to 15th August. Similarly, the January planning period has been adjusted from 1st to 31st January to 15th January to 15th February.

These revisions were made in consideration of the delays experienced in obtaining financial statements right after the closure of the financial year. A dedicated planning

period initiated since last year has proved useful in terms of improving the planning of the audit based on comprehensive risk assessment and developing appropriate audit procedures besides facilitating cross learnings amongst teams and divisions and also ensuring proper controls on the works of the teams by the respective supervisors.

6.3.4 Institutional Linkage

The RAA and the RUB have signed a MoU to enhance cooperation and promote good governance in the country. The agreement aims to raise audit awareness and educate students on key values such as integrity, accountability, transparency, and professionalism. As part of this initiative, Integrity Clubs in the colleges will be supported in conducting various co-curricular and extracurricular activities. The MoU also seeks to instil values of honesty, integrity, and transparency in young minds, fostering an ethical culture of good governance in the colleges. This collaboration underscores the commitment of both institutions to build more ethical and responsible citizens in the country.

6.3.5 Rigorous follow-up review meetings and awareness

The RAA, led by the Auditor General, completed follow-up and review meetings in 20 Dzongkhags, three Thromdes and two Ministries. The meetings were aimed at discussing long pending issues with the agencies and rendering conclusions by way of demanding actions, initiating corrections and pursuing restitution. This has also provided opportunities to create awareness and advocate on the importance of accountability and transparency in the public sector and the role of RAA as an oversight body.

The RAA was able to resolve 7,741 issues through such meetings with the agencies.

6.3.6 Introduction to *m-BoB* services for Audit Recoveries

In collaboration with the Bank of Bhutan Limited, the RAA introduced *m-BoB* APP to receive audit recoveries from individuals and agencies. This enabled faster process of accepting deposits into Audit Recoveries Account and also enhanced conveniences of the individuals and agencies in depositing the amount and settling the outstanding issues.

6.3.7 Capacity Development

In its efforts to enhance professionalism, knowledge and skills of the auditors, the RAA regularly conducts in-house training and participates in external training.

During the year, the RAA conducted five in-house training programs designed and developed in-house to improve audit capacities, practices and reports. A month-long induction program was conducted for our newly recruited auditors to prepare them to take the audit assignment. Further, our auditors participated in 13 seminars and webinars during the period.

6.3.8 Sustainable Performance Audit Practices in Asia and the Pacific

The RAA participated in a project funded by the ADB with technical assistance from the IDI on “Sustainable Audit Practices in Asia and the Pacific”. The project aims to improve performance practices in the region and make them sustainable. Bhutan is one of the six nations participating in the project and is currently implementing the Phase II of the project.

6.4 Challenges

6.4.1 High attrition rate

The year 2023-24 saw over 33 personnel resigning from the RAA on a voluntary basis. In total, 34 individuals left the organization representing 14.71% of the workforce. The RAA faces challenges of sustaining the same level of audit coverage in the face of substantial attrition rates besides impacting the quality of audit results.

6.4.2 Constraints of Human and Financial Resources

The RAA continues to face a dearth of professionally certified accountants in meeting the ever-increasing demand for audit services in the corporate sector. Assuming the responsibility of appointment of statutory auditors for the government corporations and financial institutions, the RAA is seriously constrained of qualified accountants to monitor the works carried out by those professional firms. Even on the other hand, there is neither an option for recruitment of qualified people from the market nor could it train its employees due to lack of funds.

Further, the RAA faces challenges in terms of implementing its Continuing Professional Development Policy for its employees as well as integrating with international professional bodies for upgrading knowledge and skills due to limited budget.

6.4.3 Responsibility and Accountability

It is also challenging for the RAA to ensure that agencies and officials take responsibility and accountability for lapses and recommended actions. Officials and agencies often shy away from taking responsibility, resulting in corrective actions not being prioritized, leading to endless irregularities and non-compliance. Moreover, the RAA also faces difficulties in securing information and data to conduct comprehensive and detailed studies of the issues facing the agency.

6.5 Other Matters

6.5.1 Audit issues remaining unresolved after court verdict

As on 30th June 2024, 52 cases of audit issues that were forwarded to the Royal Court of Justice were pending as unresolved due to non-enforcement of the court verdicts.

6.5.2 Audit issues forwarded to the Anti-Corruption Commission

In line with Section 34 (7) of the Audit Act of Bhutan 2018, the RAA forwarded three audit reports containing six audit findings to the Anti-Corruption Commission that prima facie indicated the existence of fraudulent intents that needed further investigation. All the six cases referred had qualified for investigation after screening done by the ACC.

6.5.3 Issues received from the Anti-Corruption Commission

During the FY 2023-24, the RAA also received nine cases from ACC for verification during the audit. Out of that, two cases have been closed and seven cases are yet to be taken up for verification in the upcoming audit.

CHAPTER 7

7. AUDITED REPORT OF ROYAL AUDIT AUTHORITY

The Financial Statement of the Royal Audit Authority was audited by Dechok and Associates Private Limited for the FY 2023-24 empanelled with the RAA. The audit report is reproduced herewith:



Dechok & Associates Private Limited **Auditing, Accounting & Tax Service** **Thimphu: Bhutan**

INDEPENDENT AUDITORS' REPORT ON THE ACCOUNTS AND OPERATIONS OF THE ROYAL AUDIT AUTHORITY OF BHUTAN FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

Opinion

We have audited the accompanying financial statements of Royal Audit Authority (RAA) which comprises Receipts and Payments Statement (LC Account No. LC-110.01) and schedules forming part of the financial statements for the year ended 30 June 2024.

In our opinion, the financial statements are prepared, in all material respects, in accordance with the Financial Rules and Regulations 2016 (FRR 2016).

Basis for Opinion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statement section of our report. We are independent of the RAA's management, in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

We have visited the Office of the Assistant Auditor General, Samdrup Jongkhar and conducted the audit of LC Account and Audit Recoveries Account. We placed reliance on the work of internal audit for other regional offices not visited by us.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

RAA's management is responsible for the preparation and fair presentation of these financial statements in accordance with the FRR 2016 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the RAA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of audit in accordance with ISSAIs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Royal Audit Authority's internal control.

We communicate with the management, among others, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

For Dechok & Associates Pvt. Ltd.

Firm License No. 4008504



Yeshi Jamtsho, FCCA

Managing Partner

Membership No. 2641177

Date:

Place: Thimphu, Bhutan

ROYAL AUDIT AUTHORITY

Receipts and Payments Statement

For A/C. No. 110.01/1001-LC

For the Month of JUNE - 2024

No.	Group/Broad Head of Account	Receipts		Payments		Cumulative Balance (-) Cr, (+) Dr
		For the Month (Nu.)	Annual Progressive (Nu.)	For the Month (Nu.)	Annual Progressive (Nu.)	
1	Opening Balance:					
	a. Cash	21,202.00	0.00			
	b. Bank	6,450,759.22				
2	Releases:					
	a. Budgetary	23,335,925.00	216,832,000.00			
	b. non-revenue	0.00	0.00			
	c. Refundable Deposits	0.00	4,362,396.42			
	d. Un-cashed Cheques					
3	Grants in-Kind:	0.00	0.00	0.00	0.00	
4	Borrowings in-Kind:	0.00	0.00	0.00	0.00	
5	Revenue Receipts/Remittances:	1,336,865.00	13,578,035.00	1,336,865.00	13,578,035.00	
6	Other Recoveries/Remittances:					
	a. GPF: Employee Contribution	565,752.00	7,219,942.00	565,752.00	7,219,942.00	
	b. Govt. Insurance Scheme	75,700.00	940,800.00	75,700.00	940,800.00	
	c. Other Insurance Premia	0.00	0.00	0.00	0.00	
	d. Loans from Fin. Instts.	0.00	0.00	0.00	0.00	
	e. Others	29,700.00	381,825.00	29,700.00	381,825.00	
7	Personal Advances:	72,500.00	796,992.00	10,000.00	796,992.00	0.00
8	Miscellaneous Receipts/Payments:					
	a. Non-Rvenue A/C. Deposits	0.00	0.00	0.00	0.00	
	b. Refundable Deposit A/C. Deposits	0.00	0.00	1,762,922.72	1,928,014.05	

ROYAL AUDIT AUTHORITY

Receipts and Payments Statement

For A/C. No. 110.01/1001-LC

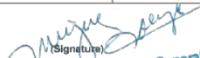
For the Month of JUNE - 2024

No.	Group/Broad Head of Account	Receipts		Payments		Cumulative Balance (+) Cr, (-) Dr
		For the Month (Nu.)	Annual Progressive (Nu.)	For the Month (Nu.)	Annual Progressive (Nu.)	
	c. Payments to DPA	0.00	0.00	0.00	0.00	
	d. Others	0.00	0.00	0.00	0.00	
9	Suspense:					
	a. Stock	0.00	0.00	0.00	0.00	0.00
	b. Purchases	0.00	0.00	0.00	0.00	0.00
	c. PW Advances	2,946,613.66	11,593,610.93	212,000.00	11,593,610.93	0.00
	d. Intra-Agency Assignments	0.00	0.00	0.00	0.00	
	e. Deposit Works	0.00	0.00	0.00	0.00	
	f. Other Deposits	1,762,922.72	1,928,014.05	0.00	4,362,396.42	-1,928,014.05
10	Budgetary Expenditure:					
	a. Current			20,191,895.71	197,642,114.58	
	b. Capital			11,435,506.95	18,212,288.20	
	c. Lending			0.00	0.00	
	d. Repayment			0.00	0.00	
11	Closing Balances:					
	a. Cash			0.00	0.00	
	b. Bank			977,597.22	977,597.22	
	Grand Total:	36,597,939.60	257,633,615.40	36,597,939.60	257,633,615.40	

(Signature)

 Deputy Chief Finance Officer
 Head of Finance Section
 Royal Audit Authority
 Thimphu, Bhutan



(Signature)

 Deputy Auditor General
 Department of follow-up & regions
 Royal Audit Authority

8. ANNEXURES

Annexure I: Non-Compliance to Laws, Rules and Regulations by sub-category with corresponding amounts

Sl. No.	Sub-Category	Amount (Nu. in Million)
1	Outstanding advance	615.881
2	Outstanding duties/taxes/ royalties/revenue/ lease rent	355.000
3	Non-compliance to laws/ directives/policies/regulations	191.568
4	Non-enforcement of contract terms and conditions	162.406
5	Outstanding PW Advance	151.318
6	Non insuring of works/properties	137.007
7	Inadmissible payment	84.969
8	Payment for works/goods/services not executed/rendered	77.756
9	Other non-compliance to financial/revenue norms	73.262
10	Excess payment due to incorrect rate analysis	43.328
11	Non-surrender of closed work Account balance to DPA	40.269
12	Irregular release/obtaining of supplementary fund	37.083
13	Retention of funds for incomplete works	34.915
14	Irregular exemptions/write-off	27.955
15	Non-renewal of guarantees	20.665
16	Unjustified advance	20.473
17	Non-levy of Liquidated damages	18.678
18	Non-imposition of penalties	16.325
19	Technical /administration Sanction not obtained	15.000
20	Other non-compliance to procurement of works, goods & services	14.378
21	Non-recovery/levy of penalty upon termination of the contract	13.414
22	Unjustified payment of advance	11.267
23	Non-deduction others	8.893
24	Non-carry forward of advances	5.721
25	Non-deployment of committed key personnel/ machinery at site	4.727
26	Non/wrong booking of expenditure	4.333
27	Procurement without supply orders	3.832
28	Non-enforcement of training bond	3.622
29	Non carrying forward of balance fund	2.917
30	Irregular sanctions/approvals	2.336
31	Use of materials other than specified	1.839
32	Other non-compliance to BCSR/Service Rules	1.367

33	Release of security deposit without obtaining refundable deposit release	1.214
34	Direct booking of advances as expenses	1.037
35	Non execution of works as per drawing and design	0.873
36	Irregular re-appropriation	0.748
37	Procurement without tender /quotation	0.610
38	Irregularities in negotiated purchase	0.548
39	Award of contract to other than the lowest evaluated bidder	0.407
40	Non-deductions of statutory deductions	0.383
41	Non-refund of unspent balances	0.283
42	Wrong pay fixation	0.075
43	Irregular dismissal/suspension	0.070
44	Non-renewal of agreement	0.030
45	Procurement from unauthorized sources	0.009
46	Irregular promotion	0.005
47	Irregular retention of revenue	0.000
48	Selection of inappropriate tender procedures	0.000
49	Non-incorporation of standards provision in contract documents	0.000
50	Improper preparation of estimates	0.000
51	Unwarranted grant of time extension	0.000
Grand Total		2,208.794

Annexure II: Agencies with cases of Non-Compliance to Laws, Rules and Regulations with corresponding amounts

Sl. No.	Agency	Amount (Nu. in million)
1	Department of Infrastructure Development, MoIT	344.403
2	State Trading Corporation of Bhutan Limited	328.732
3	Punatsangchhu-II Hydroelectric Project	152.708
4	National Cottage & Small Industries Development Bank Limited	141.959
5	Secondary Towns Urban Development, DoID, MoIT	137.000
6	Thromde Administration, Thimphu	112.921
7	Department of Tourism, MoICE	109.169
8	Regional Office, NRDCL, Phuentsholing	109.144
9	Construction of 150 Bedded Mother & Child Hospital, DoBE, NMS	89.438
10	Department of Industry, MoICE	47.810
11	Office of Attorney General	40.275
12	Waste Management Flagship Programme, DoECC, MoENR	33.709
13	National Land Commission Secretariat	33.301

14	Bhutan Livestock Development Corporation Limited	32.033
15	Mangdechhu Hydropower Plant	31.416
16	Dzongkhag Administration, Gasa including Gewogs	30.653
17	Dzongkhag Administration, Dagana including Dungkhag & Gewogs	30.612
18	Bhutan Postal Corporation Limited	29.605
19	Food Corporation of Bhutan Limited	26.212
20	Department of Air Transport, MoIT	25.773
21	Cabinet Secretariat	25.735
22	Air Transport Connectivity Project - DoAT, MoIT	23.348
23	Divisional Forest Office, Gedu, DoFPS, MoENR	17.694
24	Dratshang Lhentshog	13.091
25	Thromde Administration, Phuentsholing	13.022
26	Regional Office, DoST, Trashigang	12.458
27	Dzongkhag Administration, Tsirang including Gewogs	12.195
28	Drugyel Dzong Conservation Project, DoCDD, MoHA	10.239
29	Department of Employment and Entrepreneurship, MoICE	9.935
30	Dzongkhag Administration, Samdrup Jongkhar including Dungkhags & Gewogs	9.885
31	Bhutan Olympic Committee	8.743
32	Dzongkhag Administration, Trashiyangtse including Gewogs	8.654
33	Department of Medical Products, NMS	8.641
34	Dzongkhag Administration, Sarpang including Dungkhag & Gewogs	7.654
35	Mainstreaming Biodiversity Conservation into the Tourism sector in Bhutan, DoT, MoICE	7.347
36	Dzongkhag Administration, Samtse including Dungkhags & Gewogs	6.694
37	Farm Machinery Corporation Limited	6.585
38	APVAX, ADB funded Procurement Pfizer Vaccine	6.325
39	Dzongkhag Administration, Paro including Gewogs	6.322
40	Regional Office, DoST, Trongsa	5.533
41	Thromde Administration, Gelephu	4.913
42	Bhutan Hydropower Services Limited, Jigmeling, Sarpang	4.564
43	Kholongchu Hydroenergy Limited, Trashiyangtse	4.550
44	State Mining Corporation Limited	4.307
45	Development of Sports Infrastructure implemented by BOC & funded by GoI PTA (FIC 4740)	4.103
46	Contribution to Legal Sector Program, PMU with OAG, funded by ADA (FIC 5167) (1)	4.032
47	Eastern Regional Referral Hospital, Mongar	3.884
48	Bhutan Construction & Transport Authority	3.712

49	Construction Development Corporation Limited	3.703
50	Bhutan Cricket Federation	3.522
51	Dzongkhag Administration, Zhemgang including Dungkhag & Gewogs	3.489
52	Dzongkhag Administration, Thimphu including Dungkhag & Gewogs	3.209
53	Royal Bhutanese Embassy, New Delhi, India	3.065
54	Rigsum Goenpa Restoration Project, Trashiyangtse, DoCDD, MoHA	3.053
55	Regional Revenue & Customs Office, DRC, Phuentsholing	3.047
56	Sherubtse College, Kanglung	2.655
57	Bhutan Board Products Limited	2.162
58	Department of Health Services, MoF	2.130
59	Bhutan Broadcasting Service Corporation Limited	1.855
60	Secretariat, Ministry of Home Affairs	1.840
61	Royal Institute of Management Secretariat	1.836
62	Regional Central Stores, Phuentsholing, DoST, MoIT	1.594
63	Supreme Court of Bhutan	1.500
64	Regional Office, DoST, Samdrup Jongkhar	1.499
65	Commercial Agriculture & Resilient Livelihood Enhancement Programme, Wengkhag	1.440
66	Regional Immigration Office, Phuentsholing, DoI, MoHA	1.313
67	Dzongkhag Administration, Mongar	1.284
68	Pel Drukdraling Foundation	1.238
69	Dzongkhag Administration, Wangdue Phodrang including Gewogs	1.237
70	Electricity Supply Division, BPCL, Pemagatshel	1.194
71	Regional Office, DoST, Lingmethang	1.181
72	Dzongkhag Administration, Haa including Dungkhag & Gewogs	1.179
73	National Pension and Provident Fund	1.134
74	Thromde Administration, Samdrup Jongkhar	1.071
75	Azista Bhutan Healthcare Limited, Motanga Industrial Park, DHI, Samdrup Jongkhar	0.973
76	Dzongkhag Administration, Chhukha including Dungkhag & Gewogs	0.919
77	Regional Office, DoST, Sarpang	0.913
78	Dzongkhag Administration, Pemagatshel including Dungkhag & Gewogs	0.911
79	Dzongkhag Administration, Punakha including Gewogs	0.866
80	Dzongkhag Administration, Bumthang including Gewogs	0.775
81	Green Bhutan Corporation Limited	0.748
82	Rabdeys, Dratshang Lhentshog	0.738
83	National Statistical Bureau	0.734

84	Lingzhi Dzong Construction Project	0.629
85	Department of Clinical Services, NMS	0.594
86	Bhutan Trust Fund for Environment Conservation	0.590
87	Dzongkhag Administration, Trashigang including Dungkhags & Gewogs	0.554
88	National Centre for Animal Health, Serbithang, DoL, MoAL	0.552
89	Bhutan Red Cross Society	0.455
90	Bhutan Power Corporation Limited	0.383
91	Regional Pig & Poultry Breeding Centre, Lingmethang, Mongar	0.374
92	Regional Office, NRDCL, Jakar, Bumthang	0.270
93	National Housing Development Corporation Limited	0.267
94	Dzongkhag Administration, Lhuentse	0.248
95	Wangchuck Centennial National Park, Bumthang	0.239
96	Secretariat, Ministry of Foreign Affairs and External Trade	0.216
97	Regional Cattle Breeding Centre, Wangkha, Chhukha	0.195
98	Secretariat, Ministry of Energy and Natural Resources	0.188
99	Department of Macro-Fiscal and Development Finance, MoF	0.185
100	Dzongkhag Administration, Trongsa including Gewogs	0.179
101	Regional Office, DoST, Tingtibi	0.158
102	Construction of Royal Institute of Law (2nd Phase - FIC 3059) Jigme Singye Wangchuck School of Law funded by GoI PTA	0.135
103	Department of Surface Transport, MoIT	0.115
104	Bumdeling Wildlife Sanctuary, DoFPS, Trashiyangtse	0.102
105	Tala Hydropower Plant	0.101
106	Transmission Operation and Maintenance Division, BPCL, Deothang	0.098
107	Tangsibji Hydro Energy Limited, Trongsa	0.092
108	Agriculture Research and Development Centre, Wengkhari	0.089
109	Bhutan Food & Drug Authority	0.088
110	Bhutan Archery Federation	0.080
111	Music of Bhutan Research Centre	0.075
112	Department of Procurement & Properties, MoF	0.074
113	Secretariat, Ministry of Agriculture & Livestock	0.069
114	City Bus Service	0.067
115	National Livestock Research Center, Bumthang	0.056
116	Education Flagship Program (ICT) GoI PTA FIC 5183	0.046
117	Regional Revenue and Customs Office, Samdrup Jongkhar, DRC, MoF	0.039
118	Divisional Forest Office, Zhemgang, DoFPS, MoENR	0.024
119	Kurichhu Hydropower Plant	0.024
120	Centre for Bhutan & GNH Studies	0.021

121	Respect Educate Nurture and Empower Women	0.020
122	Divisional Forest Office, Bumthang, DoFPS, MoENR	0.014
123	Contribution to Legal Sector Program. PMU with OAG. Funded by ADA (FIC 5167)	0.013
124	Dungkhag Court, Dophuchen	0.012
125	Royal Bhutan Police, Head Quarter including Royal Bhutan Police Division I, Paro; Prison Service Division; and Fire Fighting Services	0.009
126	National Commission for Women & Children, MoESD	0.007
127	Regional Office, Gelephu, MoICE	0.004
128	Development of Infrastructure and Teaching at College of Natural Resources, Lobesa, Punakha. GoI PTA (FIC 4738)	0.002
129	Army Welfare Project, Distillery including Bonded Warehouse and Cardboard Factory, Samtse	0.000
130	Bank of Bhutan Limited	0.000
131	Bhutan Development Bank Limited	0.000
132	Bhutan Ferro Alloys Limited	0.000
133	Bhutan National Bank Limited	0.000
134	College of Science and Technology, Rinchending	0.000
135	Department of Immigration including Regional Immigration Office, Paro	0.000
136	Divisional Forest Office, Thimphu, DoFPS, MoENR	0.000
137	Dungsam Cement Corporation Limited	0.000
138	Electricity Services Division, BPCL, Paro	0.000
139	Electricity Services Division, BPCL, Samtse	0.000
140	Bhutan Taxi Association	0.000
141	SAARC Business Association of Home-Based Workers	0.000
142	Gaeddu College of Business Studies	0.000
143	Koufuku International Dairy Corporation, Chenari, Trashigang	0.000
144	National Assembly Secretariat	0.000
145	Penden Cement Authority Limited	0.000
146	Regional Office, BCTA, Samdrup Jongkhar	0.000
147	Royal Insurance Corporation of Bhutan Limited	0.000
Grand Total		2,208.794

Annexure III: Shortfalls, Lapses and Deficiencies by sub-category with corresponding amounts

Sl. No.	Sub-Category	Amount (Nu. in million)
1	Excess/double payment to suppliers/ contractors/ employee/ individuals	626.205
2	Other irregularities in property management	453.901

3	Other shortfalls and uneconomical operations	259.554
4	Delay/non-settlement of claims	85.820
5	Uneconomical operations	59.642
6	Underutilization	56.414
7	Overdue loans/term expired loans	44.708
8	Non/untimely production of documents	28.912
9	Short/non-levy of duties, taxes/royalties/ revenue	23.452
10	Irregularities in disposal & auction	22.021
11	Non-reconciliation	17.614
12	Execution of substandard works	13.677
13	Delay in execution of works/services	7.700
14	Payments on improper documents/ without supporting documents	7.532
15	Wasteful/Avoidable expenditure	7.094
16	Missing records/documents	6.275
17	Unpaid dues and entitlements	4.011
18	Non/improper maintenance of records	3.321
19	Overdue creditors and other liabilities	2.815
20	Non/short/excess deposit of fund	2.253
21	Acceptance of defective works/goods/services	0.931
22	Damages/non restoration of public/government property	0.850
23	Non/short/accountal of fund/goods	0.614
24	Non-forfeiture of security deposit/earnest money	0.402
25	Shortage of assets/properties/supplies	0.375
26	Non rectification of defective works	0.193
27	Short/delay/non-remittances of levies/taxes/revenue	0.092
28	Non-return of goods and properties issued to individuals/parties	0.082
29	Over/under-statement of expenditure	0.051
30	Non-surrender/disposal of obsolete/surplus items	0.051
31	Non-refund of security deposit	0.019
32	Furnishing incomplete/wrong information	0.000
33	Non-registration of land and property	0.000
34	Feasibility study not carried out	0.000
35	Unjustified additional works	0.000
36	Abnormal variations	0.000
37	Over/under-statement of income	0.000
Grand Total		1,736.580

Annexure IV: Agencies with Shortfalls, Lapses and Deficiencies with corresponding amounts

Sl. No.	Agency	Amount (Nu. in million)
1	Punatsangchhu-II Hydroelectric Project	551.344
2	State Mining Corporation Limited	497.177
3	Mangdechhu Hydropower Plant	188.567
4	Farm Machinery Corporation Limited	121.048
5	State Trading Corporation of Bhutan Limited	69.135
6	Construction of 150 Bedded Mother & Child Hospital, DoBE, NMS	58.819
7	Food Corporation of Bhutan Limited	35.113
8	Loden Foundation	27.464
9	Thromde Administration, Thimphu	20.582
10	Dzongkhag Administration, Trongsa including Gewogs	16.630
11	Dzongkhag Administration, Gasa including Gewogs	16.386
12	Green Bhutan Corporation Limited	16.066
13	National Post Harvest Centre	12.640
14	Bhutan Development Bank Limited	11.009
15	Dzongkhag Administration, Zhemgang including Dungkhag & Gewogs	9.093
16	Waste Management Flagship Programme, DoECC, MoENR	6.971
17	Dzongkhag Administration, Mongar including Dungkhag & Gewogs	5.887
18	Dzongkhag Administration, Bumthang including Gewogs	5.562
19	Dzongkhag Administration, Pemagatshel including Dungkhag & Gewogs	5.039
20	Dzongkhag Administration, Thimphu including Dungkhag & Gewogs	4.573
21	Thromde Administration, Samdrup Jongkhar	4.551
22	Dzongkhag Administration, Sarpang including Dungkhag & Gewogs	4.181
23	Regional Immigration Office, DoI, Phuentsholing	4.134
24	Dzongkhag Administration, Lhuentse including Gewogs	3.502
25	Eastern Regional Referral Hospital, Mongar	3.170
26	Dratshang Lhentshog	2.979
27	Bhutan Power Corporation Limited	2.815
28	Dzongkhag Administration, Punakha including Gewogs	2.394
29	Development of Infrastructure and Teaching at College of Natural Resources, Lobesa, Punakha. GoI PTA (FIC 4738)	2.256
30	Supreme Court of Bhutan	1.993
31	National Cottage & Small Industries Development Bank Limited	1.923
32	Secondary Towns Urban Development (BHU 3674 and 4652)", DoID, MoIT	1.861
33	Bhutan Livestock Development Corporation Limited	1.674

34	Regional Office, NRDC, Jakar, Bumthang	1.608
35	Air Transport Connectivity Project - additional financing (Grant No. 0484)", DoAT, MoIT	1.557
36	Dzongkhag Administration, Trashiyangtse including Gewogs	1.481
37	ADB funded 'Phuentsholing Township Development Project' implemented by CDCL [FIC 4050 & 4651]	1.430
38	ADA Funded Project 'Justice Sector Programme' implemented by OAG	1.297
39	Army Welfare Project, Distillery including Bonded Warehouse and Cardboard Factory, Samtse	1.027
40	Dzongkhag Administration, Tsirang including Gewogs	0.940
41	Regional Agriculture and Marketing Co-operatives, Mongar	0.654
42	Drugyal Dzong Conservation Project, DoCDD, MoHA	0.650
43	Dzongkhag Administration, Paro including Gewogs	0.600
44	Regional Office, DoST, Lobesa	0.566
45	Transmission Operation and Maintenance Division, BPCL, Deothang	0.553
46	Regional Office, DoST, Tingtibi	0.545
47	Department of Clinical Services, NMS	0.462
48	Hotel & Restaurant Association of Bhutan	0.423
49	Phensem Parents Support Group, Thimphu	0.398
50	Commercial Agriculture & Resilient Livelihood Enhancement Programme, Wengkhari	0.373
51	Bhutan Judo Association	0.352
52	Dungsam Polymers Limited	0.350
53	Thromde Administration, Phuentsholing	0.297
54	Department of Procurement & Properties, MoF	0.291
55	Livestock Central Store, Phuentsholing, MoAL	0.273
56	Regional Office, DoST, Samdrup Jongkhar	0.254
57	National Pension and Provident Fund	0.238
58	Lingzhi Dzong Construction Project	0.220
59	Bhutan Postal Corporation Limited	0.220
60	Dzongkhag Administration, Wangdue Phodrang including Gewogs	0.203
61	Department of Medical Products, NMS	0.192
62	Divisional Forest Office, Mongar, DoFPS, MoENR	0.189
63	Tangsibji Hydro Energy Limited, Trongsa	0.185
64	Dzongkhag Administration, Haa including Dungkha & Gewogs	0.171
65	Ugyen Wangchuck Institute for Forest Research and Training, Lamagonpa, Bumthang	0.157
66	Dzongkhag Administration, Samdrup Jongkhar including Dungkha & Gewogs	0.141
67	College of Zorig Chusum, Trashiyangtse, DoWPSD, MoESD	0.134
68	Music of Bhutan Research Centre, Thimphu	0.126
69	Native Poultry and Heifer Breeding Centre	0.124

70	Result Based Planning and M&E for the MDGs and GNH, National Statistical Bureau, Thimphu funded by UN	0.121
71	Dzongkhag Administration, Trashigang including Dungkhags & Gewogs	0.114
72	Regional Office, DoST, Trashigang	0.114
73	Royal Bhutanese Embassy, New Delhi, India	0.100
74	Regional Office, BCTA, Mongar	0.099
75	Secretariat, Ministry of Agriculture & Livestock	0.091
76	National Housing Development Corporation Limited	0.085
77	Mainstreaming Biodiversity Conservation into the Tourism sector in Bhutan, DoT, MoICE	0.082
78	Bhutan Food & Drug Authority	0.080
79	Regional Office, DoST, Trongsa	0.070
80	Natural Resources Development Corporation Limited including Regional Office Paro, Wang Service Centre	0.064
81	General Hospital, Phuentsholing	0.061
82	Secretariat, Ministry of Foreign Affairs and External Trade	0.055
83	Religion and Health Project, Choedhey Lhentshog, RGoB Contribution	0.043
84	Regional Cattle Breeding Centre, Wangkha, Chhukha	0.033
85	Bhutan Cricket Council Board	0.027
86	Regional Office of Industry, Commerce & Employment, MoICE, Gelephu	0.022
87	Royal Bhutan Consulate, Kolkata, India	0.019
88	Department of Tourism, MoICE	0.018
89	Divisional Forest Office, Zhemgang, DoFPS, MoENR	0.017
90	Sherubtse College, Kanglung	0.017
91	Dzongkhag Administration, Samtse including Dungkhags & Gewogs	0.011
92	National Land Commission Secretariat	0.009
93	Dungsam Cement Corporation Limited	0.007
94	Bhutan Red Cross Society	0.004
95	Lhak-Sam	0.003
96	Bank of Bhutan Limited	0.000
97	Basochhu Hydropower Plant, Rurichu, Wangdue Phodrang	0.000
98	Bhutan Broadcasting Service Corporation Limited	0.000
99	Bhutan Ferro Alloys Limited	0.000
100	Bhutan National Bank Limited	0.000
101	Bhutan Olympic Committee	0.000
102	Bhutan Taxi Association	0.000
103	Bhutan's Third National Communication to UNFCCC, MoENR. (FIC 4122)	0.000
104	City Bus Service	0.000
105	Department of Infrastructure Development, MoIT	0.000

106	Development of Jigmeling Industrial Parks (FIC 3050) and Dhamdum Industrial Parks (FIC 3051) implemented by DoI, MoICE	0.000
107	Development of New Infrastructure at Gaeddu College of Business Studies for quality teaching and learning	0.000
108	Development of new Infrastructure at Paro College of Education for quality teaching and learning (FIC 4733)	0.000
109	Draktsho Vocational Training Center for Children and Youth with Disabilities	0.000
110	Druk Green Power Corporation Limited (Standalone)	0.000
111	Dzongkhag Administration, Chhukha including Dungkhag & Gewogs	0.000
112	Dzongkhag Administration, Dagana including Dungkhag & Gewogs	0.000
113	Electricity Services Division, BPCL, Phuentsholing	0.000
114	Electricity Services Division, BPCL, Samdrup Jongkhar	0.000
115	Electricity Services Division, BPCL, Trashigang	0.000
116	Electricity Services Division, BPCL, Trashiyangtse	0.000
117	Film Association of Bhutan	0.000
118	Kholongchu Hydro Energy Limited, Trashiyangtse	0.000
119	Koufuku International Dairy Corporation, Chenari, Trashigang	0.000
120	National Centre for Riverine & Lake Fisheries, DoL, Haa	0.000
121	Pema Lingpa Foundation	0.000
122	Penden Cement Authority Limited	0.000
123	Regional Office, DoST, Phuntsholing	0.000
124	Regional Office, DoST, Sarpang	0.000
125	Royal Bhutan Police, Head Quarter including Royal Bhutan Police Division I, Paro; Prison Service Division; and Fire Fighting Services	0.000
126	Royal Bhutanese Embassy, Kuwait	0.000
127	Royal Insurance Corporation of Bhutan Limited	0.000
128	Samtse College of Education	0.000
129	Tala Hydropower Plant	0.000
130	The 'SASEC Transport, Trade Facilitation Logistic Project Loan-3421-BHU' implemented by Regional Office, DoST, Phuentsholing	0.000
131	Thromde Administration, Gelephu	0.000
132	Vector Borne Disease Control Programme, Gelephu	0.000
Grand Total		1,736.580

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

- H.M The King Jigme Khesar Namgyel Wangchuck