

## Irregularities decline over four years

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In the 2023-24 fiscal year, the Royal Audit Authority (RAA) reported irregularities amounting to Nu 3.96 billion. Of this, 41.57 percent involved budgetary agencies, while 58.43 percent was linked to non-budgetary agencies.

Among the total irregularities, fraud and corruption accounted for Nu 15.76 million, representing 0.40 percent. Non-compliance with laws, rules, and regulations contributed Nu 2.2 billion (55.76 percent), while shortfalls, lapses, and deficiencies amounted to Nu 1.73 billion (43.84 percent).

Compared to the previous fiscal year, irregularities increased slightly from Nu 2.8 billion in 2022-23. According to an RAA official, this rise could be attributed to the resumption of development activities following the Covid-19 pandemic.

Overall, however, irregularities have significantly decreased over the past four years. In the fiscal year 2020-21, irregularities stood at Nu 8 billion, and in 2021-22, it dropped down to Nu 7.52 billion.

The Auditor General of RAA, Tashi, said that the overall reduction in irregularities over the years reflected improved compliance with government norms, laws, rules, and regulations, as well as enhanced integrity and objectivity among public servants.

According to the Annual Audit Report, under fraud and corruption, Pemagatshel had the highest irregularities amounting to Nu 4.73M, followed by the Samtse with Nu 3.89M.

Non-compliance to laws, rules and regulations 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 Department of Infrastructure Development, in fiscal year 2023-24 had the highest irregularities amounting to Nu 344.403M, followed by State Trading Corporation of Bhutan Limited with Nu 328.73M in non-compliance to laws, rules and regulations category.

The shortfalls, lapses and deficiencies, irregularities arising from non-cooperation, property management issues, and uneconomical operations such as untimely production of documents, damage to public property, acceptance of defective works, and avoidable expenditure.

Under the shortfalls, lapses and deficiencies, Punatsangchhu-II Hydroelectric Project – II had the highest amounting to Nu 551.34M, followed by State Mining Corporation Limited with Nu 497.17M.

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 RAA recommended that the government should focus on quality construction. Compromising the quality of public works continues to be a matter of serious concern throughout executing agencies.

The RAA during the financial year 2023-24 reported total excess payment of Nu 860.9M pertaining to public procurement, specifically in the construction works. The RAA recommended the government should enforce robust mechanisms and stricter measures to curb excess payment in public procurement.

The Auditor General said that the excess payment issue was recurring every year, rising each year. “Now the RAA has asked the agencies to recover the amount and take actions against concerned officials.”

The government, as a part of its Economic Contingency Plan, prioritised to surface farm roads with granular sub-base (GSB) and accordingly spent Nu 5.5B in the 12th Plan. The same is expected to continue in the 13th Plan 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 RAA recommended the government ensure strict adherence to specification of GSB works for farm roads.

The RAA also recommended reinforcing the administration of leasing government lands and the need to address the issue of wasteful expenditures in government and public agencies.

The official said that over the years RAA 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.

The RAA also recommended enforcing strict compliance to the price adjustment clause to avoid inadmissible payments and the government should come out with clear guidelines on hospitality and entertainment expenses.

Over the last three years, the government spent Nu 91.806M on Hospitality and Entertainment (H&E) Expenses alone across ten Ministries, the Supreme Court, National Council, National Assembly and Cabinet Secretariat. Additionally, another Nu 35.227M was spent on discretionary grants by these agencies.

The Auditor General said that with the latest pay revision, the discretionary grant is prorated per month and paid along with the monthly salary. “In the absence of any specific criteria on the nature of expenses falling under the 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.”

The H&E ceiling of Nu 1.5M for cabinet ministers and equivalent position holders seems to be mere formality since additional funds are always granted without any objections. During 2022-23, the overall H&E budget was revised from Nu 18.5M (budgeted) to Nu 82.710M (actual).

He said that without an obligation to produce bills and documents to support the discretionary grant, there was 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.

RAA recovered financial irregularities of Nu 405.302M in the 2023-2024 fiscal year.