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PERFORMANCE REPORT OF THE ROYAL AUDIT AUTHORITY

1.1 Mandate of the Royal Audit Authority

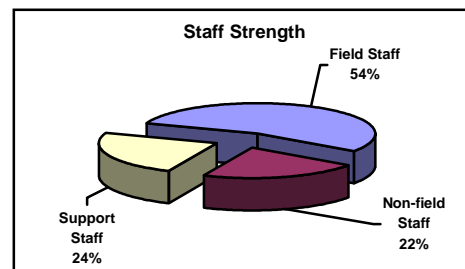
The Royal Audit Authority derives its mandate from the Audit Act of Bhutan 2006. The Audit Act requires the RAA to conduct the audit of Government and other agencies under its audit jurisdiction and report without fear, favour or prejudice on the economy, efficiency and effectiveness in the use of public resources. Through its reports and recommendations the Royal Audit Authority seeks to promote accountability in the use of public resources. It reports on whether the public resources have been used economically, efficiently and effectively in compliance with applicable laws, rules and regulations and assess whether the agencies within its audit jurisdiction, achieve the purposes for which they were established and for which public resources have been made available to them.

1.2 Organization of the Royal Audit Authority

The Royal Audit Authority is a Constitutional Body headed by the Auditor General. The Office of the Auditor General is located at Kawangjangsa, Thimphu and is being supported by its three regional offices of the Assistant Auditor General located at Samdrup Jongkhar, Bumthang and Tsirang.

1.3 Staff Strength

The total staff strength of the Royal Audit Authority during the year 2005-06 was 192 as against 172 in the previous year comprising of 104 field auditors, 42 non-field auditors and 46 support staff.



1.4 Budget of the Royal Audit Authority

During the Fiscal Year 2005-06, the Royal Audit Authority had been provided with a total budgetary support of Nu.51.893 million including DANISH assistance of Nu.2.874 million. Against approved budget of Nu. 51.893 million, the actual expenditure amounted to Nu.50.249 million representing 97% of the approved budget.

1.5 Cost of audit as percentage of total Revenue and Expenditure

The total expenditure on the audit function was Nu.50.249 million during the year 2005-06 and Nu.50.295 million for the year 2004-05 including capital expenditure of Nu.7.615 million and Nu.11.507 million respectively. Current expenditure amounted to Nu.42.634 million and Nu.38.788 million for the years 2005-06 and 2004-05 respectively. Cost of audit as a percentage of recurrent cost over the aggregate of revenue and expenditure of the Government excluding Corporations, Financial Institutions and NGOs which are also audited by the RAA works out to 0.111 % for the year 2005-06. The percentage would be much lower if the revenue and expenditure of Corporations, Financial Institutions and Non-Government Organizations, whose accounts are also audited, were included. Comparative cost of audits presented as a percentage of aggregate expenditure and revenue of the Government audited for past two years are given in the table below:

Amount in Nu. (millions)

| SL. No. | Particulars | 2005-06 | 2004-05 |
|---------|---|------------|------------|
| 1 | Recurring expenditure | 42.634 | 38.788 |
| 2 | Gross revenue and expenditure of the Government | 38,429.124 | 32,441.204 |
| 3 | Cost of audit as a percentage of aggregate of revenue and expenditure | 0.111% | 0.120% |

For each Nu. 100,000.00 audited, the RAA incurred recurring expenditure of Nu. 111.00

1.6 Accomplishment and Achievements

1.6.1 Audits conducted

Out of 443 audits planned in 2006, the RAA conducted 444 audits during the year. This represented achievement of over 100% of the planned audits. Compared to the audits conducted in 2005 which was only 314 audit (295 plus 19 statutory audits), this represented an increase of over 41%. The comparative figures are shown as below:

Table showing comparative details of audits conducted

| SL. No. | Types of audit | 2006 | 2005 | Difference |
|---------|-------------------|------------|------------|------------|
| 1 | Normal audit | 336 | 200 | 138 |
| 2 | Special audit | 1 | 6 | (5) |
| 3 | Statutory* audits | 19 | 19 | 0 |
| 4 | Certification | 83 | 85 | (2) |
| 5 | Performance Audit | 5 | 4 | 1 |
| | Total | 444 | 314 | 130 |

*Statutory audits conducted through the professional firms empanelled by the RAA.

1.6.2 Audit Reports issued

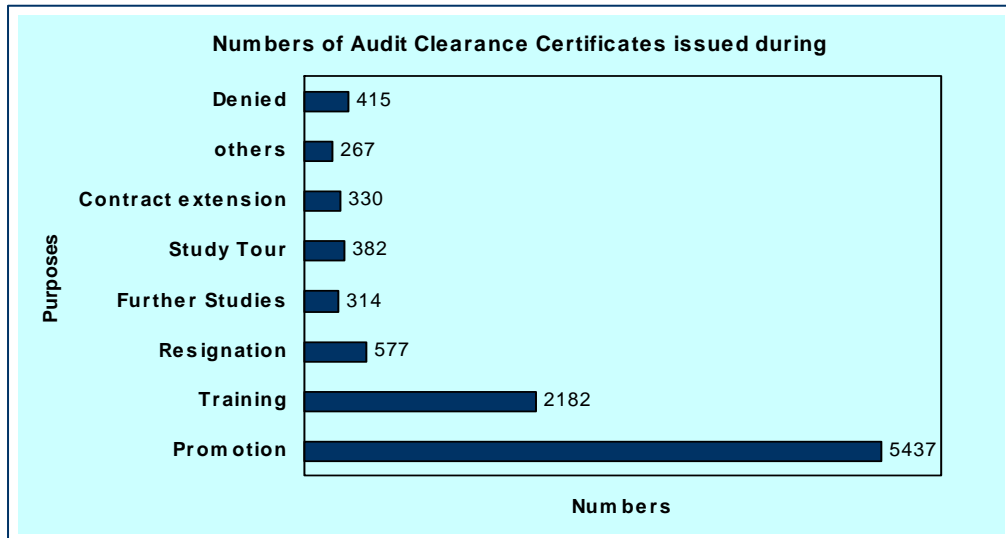
During 2006, 438 reports were issued comprising of 322 normal audits, 4 Special audits, 19 statutory audits, 87 project certifications, 5 Performance audits and 1 report on certification of Annual Financial Statements of the Government. Besides, a total of 750 Follow-up reports were also issued during the year. This represents an increase of 90.94% in the number of reports issued compared to 2005 where 393 reports were issued.

1.6.3 Copies of reports containing significant issues submitted to concerned authorities

In line with the Audit Act of Bhutan 2006, copies of 15 reports, of the 438 issued during the year, containing significant issues including fraud and corruption cases were submitted to the Hon'ble Prime Minister, Secretary to His Majesty the King, the Royal Civil Service Commission and the Anti-Corruption Commission.

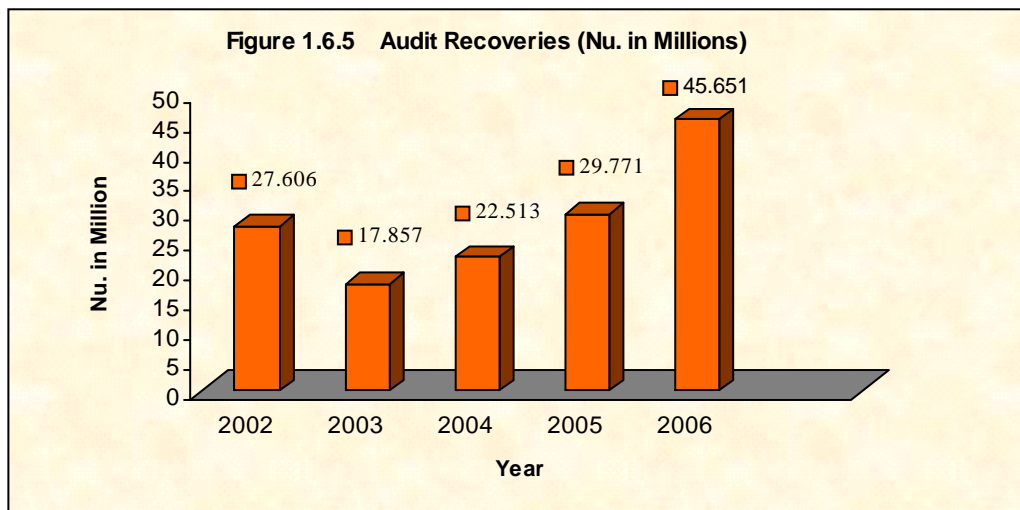
1.6.4 Audit Clearance Certificates issued

In the year 2006, the RAA issued a total of 9,489 Audit Clearance Certificates as against 6,243 certificates in 2005 representing an increase by 51.99%. The Audit Clearance Certificates issued in 2006 comprised of 5,437 for promotion, 2,182 for training, 577 for resignation, 314 for further studies, 382 for study tours, 330 for contract extension, 112 for workshops, 12 for re-election & election, 30 for seminars, 5 for secondment, 43 for service regularization, 12 for superannuation etc.. The RAA denied 415 Clearances for having unsettled observations and for incomplete information.



1.6.5 Record increase in the amount of Audit Recoveries (Nu. 45.651 million)

In the year 2006, Audit Recoveries amounted to Nu.45.651 million as against Nu.29.771 million in 2005. An increase of over 53.34% as compared to 2005 indicates increased compliance of the executive authorities and effective follow up efforts made by the dedicated Follow up Division, other Functional Divisions and Regional Offices of the RAA. Comparative figures of audit recoveries for the past five years are presented in the graph below:



1.6.6 Accelerated Follow-ups of Audit reports

Establishment of the Follow-up Division facilitated systematic and focused approach to follow-up of audit reports. With definitive time frame adopted to review audit reports and receive responses and holding discussions with the auditee agencies, the Royal Audit Authority was able to follow up a large number of audit reports and resolve record number of audit observations. Such an exercise was made possible by the support and

co-operation of the agencies concerned. During the year a total of 750 audit reports were followed up which led to settlement of many issues including old cases.

The Auditor General also participated in many review meetings and discussions particularly those relating to the audit reports of Dzongkhags, Gewogs and some Ministries.

1.6.7 Professional Development in the RAA

The RAA is committed to highest professional standards. To achieve this, the organization has been pursuing continuous professional development programmes. During the year a total of 128 auditors availed in-house trainings on audit of Public Utilities, IT auditing and Performance auditing. A total of 22 auditors availed Ex-country trainings comprising of six long term courses in IA&AS, Master in Public Administration, ACCA and Master in Accounting and Control. Some of the short term ex-country trainings included Budget & Public Expenditure Management, Audit of Public Works, Auditing in EDP Environment, Audit of Procurement Process, Accounting & Financial Management etc., two officers also attended training on "Fraud Examination Techniques" from 8-26 May, 2006 held at Manila, Philippines.

1.6.8 International Cooperation

The RAA aspires to promote best professional practices. To do so it must keep pace with the socio-economic developments and reforms as well as commercial, scientific, industrial and technological advancements. The move by the RAA towards adoption of emerging concepts led to exchange of ideas and experiences with other Supreme Audit Institutions (SAIs) and greater cooperation in the fields of trainings, conferences and special delegations to other SAIs. During the year the following activities contributed to initiatives of international cooperation:

- ✍ The third phase of the training on 'IT Audit' under the Netherlands Fellowship Programme was conducted in January 2006 by Ms. Margaret E. Hershey and Mr. Gerrit J, Instructors.
- ✍ The Royal Audit Authority hosted the ASOSAI (Asian Organization of Supreme Audit Institutions) Instructors Team Meeting in Thimphu from 1st to 14th May 2006. Representative from INTOSAI (International Organization of Supreme Audit Institutions) Development Initiatives (IDI), and ASOSAI Training Administrator (Board of Audit Japan) including six instructors from various countries and one Subject Matter Expert attended the meeting.
- ✍ The Assistant Auditor General of regional office, Bumthang led a two member delegation to the 15th Meeting of the INTOSAI (International Organization of Supreme Audit Institutions)

Standing Committee on IT Audit at Brasilia, Brazil from 17-19 May 2006.

- ✍ The sixth Indo-Bhutan Audit training on "*Audit of Public Utilities*" was conducted by two senior level resource persons from the Office of the Comptroller and Auditor General of India from 19th to 23rd June 2006.
- ✍ The Auditor General led a three member delegation to the 10th ASOSAI General Assembly and 36th meeting of the ASSOSAI Governing Board in Shanghai, China from September 10–16, 2006.
- ✍ The Auditor General of Bhutan led a delegation comprising of four senior level officials from the Royal Audit Authority to the office of the Comptroller and Auditor General of India from 11th December to 21st December 2006, for the extension of the existing MoU which was signed in December 2001 and on further strengthening the relationship between the two institutions.

1.7 Independent External Audit of the RAA

As provided in the Audit Act of Bhutan 2006 M/s Ray and Ray, Chartered Accountants conducted the audit of the accounts and operations of the RAA covering the period 1st July 2005 to 30th June 2006. The appointment of auditors was based on the selection of auditors conveyed by the Hon'ble Speaker pursuant to the deliberations in the 86th Session of the National Assembly. Audited Financial Statements and Auditors' Reports are enclosed as *Annexure -A*.

1.8 Other Important activities

1.8.1 Presentation of Special Audit Report during the 85th National Assembly

The Royal Audit Authority conducted special audits of the Semtokha Dzong Conservation Project and Chhukha Dzong Construction Project and submitted the reports for presentation during the 85th Session of the National Assembly. The Auditor General in person presented the report during the 85th Session of the National Assembly.

1.8.2 Enactment of the Audit Act of Bhutan 2006

The 85th Session of the National Assembly enacted the Audit Act of Bhutan 2006 on 30th June 2006 conferring the Royal Audit Authority the status as one of the Constitutional Bodies. Besides strengthening its independence, the Act further specifies the duties, responsibilities and powers of the RAA and the Auditor General.

1.8.3 Reviewed the Annual Audit Reports 2004 & 2005

In compliance to the resolution of the 85th Session of the National Assembly, the Royal Audit Authority had reviewed the Annual Audit Report of 2004 and 2005 and submitted the follow-up reports to the Prime Minister and the Speaker. The Follow-up reports of the RAA were deliberated during the 86th Session of the National Assembly.

1.8.4 The Auditor General made presentations on Annual Conference of agencies

With a view to share experiences and create greater awareness amongst auditee agencies on the mandate, roles and responsibilities as well as future strategies of the RAA the Auditor General of Bhutan seized the opportunity to address the Annual Conferences of various agencies. The Auditor General also shared with them common and pertinent audit issues and advised them of possible causes and remedial measures. Following were the conferences addressed by the Auditor General of Bhutan and some of the senior officials of the RAA in 2006.

- ✍ Annual Engineering Conference
- ✍ Annual DYT/GYT Chairmen Conference

1.8.5 Embarked on certification of financial statements of government accounts

To render the audit more comprehensive and embrace both positive and as well as the negative aspects of the maintenance and operation of the accounts the Royal Audit Authority started certifying the normal accounts of the agencies from July 2006. Such certifications would enable the RAA to express opinion on the true and fairness of the financial statements and ascertain the adequacy and reliability of accounting and internal control systems instituted by the agencies which would contribute to a more constructive and balanced reporting.

1.8.6 Meetings with CEOs and Senior Officers of Corporations and Financial Institutions

During the year, the Auditor General convened two separate meetings with the CEOs and representatives of the Financial Institutions and Corporations. The meetings were held to brief the Corporations and Financial Institutions of the audit focus, audit approaches and way forward pursuant to the enactment of the Audit Act 2006 and the transitions taking place in the system of parliamentary democratic system of governance in the country. It was also aimed at obtaining important feedbacks from the Financial Institutions and Corporations in simplifying audit approaches.

1.8.7 Developed 12 Audit Manuals

The Royal Audit Authority drafted 12 Audit Manuals covering various areas. These included Audit of Hospitals, Audit of Municipal Corporations, Revenue Audit, Audit of Schools, Audit of Dzongkhags, Audit of Armed Forces, Audit of Public Utilities, Audit of Forests, Audit of Construction Works, Audit of Procurement and Certification Audit Manual. The manuals are awaiting review by international experts before adoption.

1.9 RAA's Future Strategies

The Royal Audit Authority will continue to review, fine tune and implement the strategies adopted by it viz., continuous professional development, enhancing IT audit capabilities, integrating performance audits, conducting environmental audits and certifying financial statements of budget agencies to render the auditing more relevant, responsive and effective in meeting the changing needs of the society. The RAA is fully committed to prepare itself in facing the challenges in the new constitutional democratic system of governance and effectively implementing the Audit Act of Bhutan 2006. The following are some of the important initiatives proposed:

1.9.1 Establishment of Western Regional Office - getting closer to the auditees

Recognizing the positive contributions of the existing three regional offices of Bumthang, Tsirang and Samdrup Jongkhar, the Royal Audit Authority had proposed to establish a Western Regional office catering to the needs of the five western Dzongkhags, Gewogs and other agencies located within the five Dzongkhags during the 10th Five Year Plan.

1.9.2 Constructions of Regional Office buildings and Training Center – need of an hour

Effectiveness of auditing largely depends on the quality and timeliness of audits. Existence of adequate infrastructures, proper working environment and other amenities are prerequisites in effectively managing the overall auditing functions. The three regional offices in Bumthang, Tsirang and Samdrup Jongkhar are currently deprived of adequate offices space that inhibits the efficiency and productivity of the officers. Realizing these drawbacks, the construction of office buildings for the regional offices has been proposed during the 10th Five Year Plan. In addition, establishment of a Regional Training Centre in Tsirang has also been proposed to the Government during the same Plan, in order to facilitate conducting of in-house trainings on a continuous basis. The proposed training facility could also be used to conduct international trainings in auditing and related fields and may also be used by other agencies.

1.9.3 Establishment of the Environmental, IT Audits and Legal Support Sections—keeping abreast of the changes

The RAA intends to establish three sections viz., the Environmental Audit, IT Audit and Legal Support Section during the 10th Five Year Plan to meet the fast changing social, environmental, technological and legal requirements.

1.9.4 Simplifying audits of Corporations and Financial Institutions - rendering audits cost - effective

Currently there are two tier external audits of the Corporations and Financial Institutions, one by the private chartered accounting firms and other by the RAA. The Corporations and Financial Institutions felt that they spend considerable time in dealing with the audits. In an endeavour to simplify the audit approaches, the Royal Audit Authority has been reviewing the possibility of conducting the audits jointly or issuing comprehensive Terms of Reference to the reputed private firms of Professional Accountants and thus limiting its involvement either in conducting propriety audits to selected year or a few Corporations on a sample basis.

1.9.5 Aggressive follow up of audit reports- enhancing effectiveness of auditing

The Royal Audit Authority would continue to pursue a policy of aggressive follow-up of the audit reports to ensure that audit reports receive due attention of all concerned. Follow-ups would be carried out in a variety of ways including:

- ✍ continuous review of reports and responses received by its Follow-up and the respective divisions including the Regional Offices of the RAA;
- ✍ review and verification of facts and status during subsequent audits by the audit teams; and
- ✍ holding discussions and meetings with the Ministries and agencies.

The follow up would also include presentation of status reports to the Government and the National Assembly on the Annual Audit Reports.

1.9.6 Development of auditing standards and additional audit manuals – enhancing professionalism

The RAA as a part of promoting professionalism has plans for further development of audit manual and guidelines. The RAA would also revise the General Auditing Rules and Regulation to keep abreast of the professional development.

CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS OF GOVERNMENT FOR THE YEAR 2005-06

2.1 Summary of the Auditors' Report on the Annual Financial Statements

The Audit Act of Bhutan 2006 and the Financial Rules and Regulations 2001 require the Royal Audit Authority to certify the Annual Financial Statements of the budgetary operations of the Government.

Accordingly the RAA audited the consolidated Annual Financial Statements of the Royal Government of Bhutan for the Financial Year 2005-2006 in accordance with the General Auditing Rules and Regulations (GARR) 1989 and the Generally Accepted Auditing Standards.

The Royal Audit Authority is pleased to report that in its opinion, the Annual Financial Statements depicted a true and fair view of the budgetary operations of the government.

The RAA noted that the original approved budget appropriation of Nu. 15,111.441 million for the financial year 2005-06 was revised upward to Nu. 18,634.976 million with estimated resource gap of Nu.1,694.721 million. The actual expenditure amounted to Nu.16,723.472 million with a deficit of Nu.103.257 million.

Significant recommendations made by the RAA in the current and previous year's audit reports on the Annual Financial Statements included the following:

- ✍ More detailed reporting of the debt position of the Government in terms of debt absorption and repayment capacity including the consolidated repayment schedules covering a five year period;
- ✍ Simplification of Annual Financial Statements presentation and exploring possibility of adoption of accrual based accounting;
- ✍ Devising appropriate contingent liability plan in the light of guarantees provided for loans and borrowings of Corporations;
- ✍ Monitoring fund flow and cash positions to minimize the negative closing bank balances in the Consolidated Fund Account of the Government; and
- ✍ Measures to be initiated to improve the BAS to ensure timely preparation and submission of audited accounts.

OVERALL SUMMARY OF AUDIT OBSERVATIONS AAR 2006

The audit findings and recommendations constitute the single most significant source of input to the Annual Audit Report (AAR). As in the past, attempts were made to incorporate only unresolved issues of significance.

The overall significant unresolved irregularities of Government and its instrumentalities, Corporations and Financial Institutions and NGOs incorporated in the Annual Audit Report 2006 amounted to Nu.186.775 million. This indicated a reduction of Nu.65.343 million, representing 25.92% as compared to aggregate amount of Nu.252.118 million reflected in the AAR 2005. The findings are shown graphically and summarized in the table below.

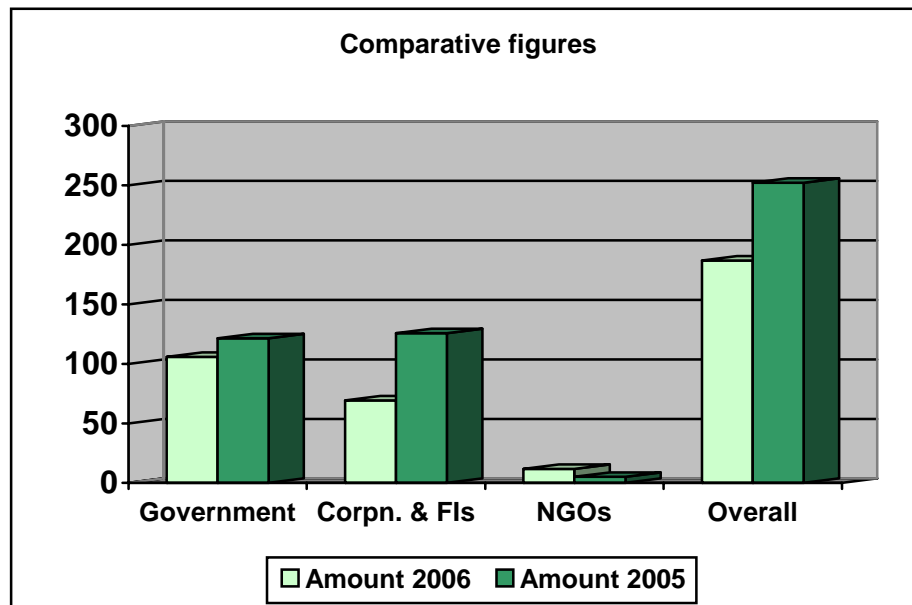


Table showing comparative figures by category of agencies (Nu. in million)

| SL No | Category of Agencies | Amount 2006 | Amount 2005 | Amount difference | % |
|-------|---------------------------------------|----------------|----------------|-------------------|----------------|
| 1 | Government and its Instrumentalities | 105.932 | 121.404 | (15.472) | (12.74) |
| 2 | Corporations & Financial Institutions | 69.188 | 125.788 | (56.60) | (44.99) |
| 3 | Non-Government Organizations | 11.655 | 4.926 | 6.729 | 136.60 |
| | Total | 186.775 | 252.118 | (65.343) | (25.92) |

SUMMARY OF AUDIT FINDINGS

4.1 Budgetary Agencies

The RAA issued a total of 266 Inspection Reports of the Government and its instrumentalities as against 210 reports issued during 2005, indicating an increase of 26.67%. Agencies comprised of Ministries, Departments, Divisions, Units, Dzongkhags, Autonomous Agencies, Judiciary, and Armed Forces. Total unresolved significant irregularities in the budgeted agencies amounted to Nu.105.932 million. The summary of findings are presented hereunder and depicted in the Table – 4.1.

4.1.1 Reduction in overall unresolved irregularities in budgetary agencies

The total amount of unresolved irregularities in the Government budget agencies in the Annual Audit Report 2006 in financial terms, had reduced by Nu.15.472 million (12.74%) i.e., from Nu.121.404 million in 2005 to Nu.105.932 million in 2006 as presented graphically shown below:

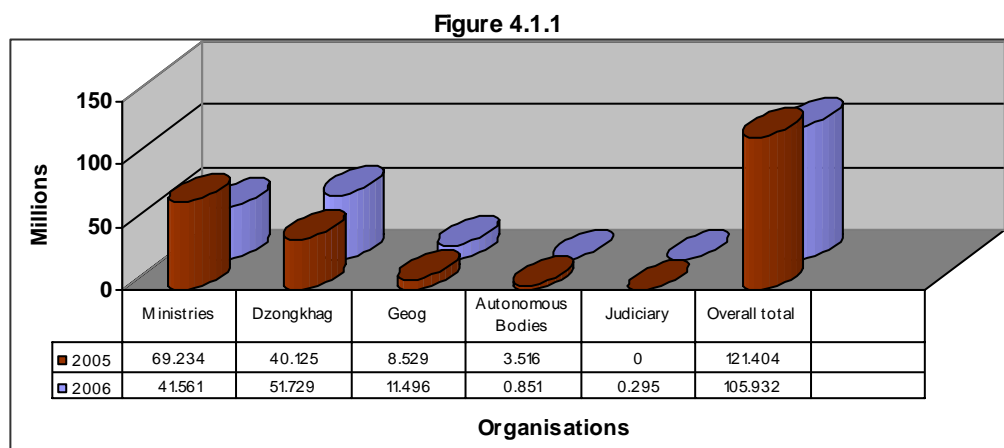


Table showing comparative figures (Nu. in million)

| SL. No. | Category of Agencies | Amount 2006 | Amount 2005 | Amount difference | % |
|---------|----------------------|----------------|----------------|-------------------|----------------|
| 1 | Ministries | 41.561 | 69.234 | (27.673) | (39.97) |
| 2 | Dzongkhags | 51.729 | 40.125 | 11.604 | 28.92 |
| 3 | Gewogs | 11.496 | 8.529 | 2.967 | 34.79 |
| 4 | Autonomous Bodies | 0.851 | 3.516 | (2.665) | (75.80) |
| 5 | Judiciary | 0.295 | 0 | 0.295 | |
| | Total | 105.932 | 121.404 | (15.472) | (12.74) |

Reduction in the amounts of unresolved irregularities despite increase of over 26% in the numbers of reports issued was mainly due to improved compliances reported by the agencies particularly after issuing the excerpts of draft Annual Audit Report 2006 to the Ministries and Agencies concerned. Besides improved compliances, vigorous follow up by the RAA and effective role being played by the Public Accounts Committee in the follow up of AAR 2004 and AAR 2005 also contributed in settlement of large number of irregularities included in the draft Annual Audit Report 2006. Moreover, after circulating the draft Annual Audit Report 2006 in February 2007, extensive discussions were held with various Ministries and Agencies who submitted clarifications and justifications leading to settlement of large numbers of observations. While in reality significant irregularities reported in the draft Annual Audit Report 2006 had increased substantially as compared to the irregularities reported in the AAR 2005, primarily due to increase in the numbers of reports issued, collective efforts from all quarters concerned made it possible to resolve many irregularities reported therein.

The RAA is of the opinion that the irregularities occurred mainly due to the following reasons:

- ✍ Lack of effective internal control system. The systems of check and balances including supervisory, accounting and financial controls were not functioning effectively.
- ✍ Internal audit is yet to get due prominence to render it effective. Internal audit is confined to Ministries only and the present strength of one to three auditors in each Ministry is too restrictive for the internal auditors to adequately and effectively carry out their functions.
- ✍ Baring some organizations, there are indications that the Finance personnel as well as Heads of Organizations and Tender Committees have not been functioning effectively resulting in increasing incidences of violation of procurement norms.
- ✍ Irregularities have also occurred as a result of fund release procedures for activities not covered under the normal LC or GPLC. Funds were released directly to the Sector Heads concerned that impeded effective supervisory controls by the Dzongkhags.
- ✍ In some cases release of funds were made at the fag end of the financial year that prompted agencies to book the expenditure without carrying out the activities. Such practices were fraught with risk of fraud and corruption.
- ✍ The RAA had conducted increased numbers of theme based audits particularly in risk prone areas; as a result more cases and amounts of irregularities were detected in some organizations.

4.1.2 Dzongkhags, MoLHR and MoHCA recorded highest amounts of irregularities

In terms of amount of irregularities Dzongkhags had the highest amount of Nu.51.729 million followed by the Ministry of Labour and Human Resources (Nu. 15.413 million) and Ministry of Home and Cultural Affairs (Nu. 12.744 million). In total inspection reports of sixteen Dzongkhags were incorporated in the AAR 2006 out of which Tsirang Dzongkhag (included audit report on the construction of Dzong) had the highest irregularities of Nu.22.480 million, Bumthang Dzongkhag Nu.5.924 million, Dagana Dzongkhag Nu.4.004 million and Sarpang Dzongkhag Nu.3.941 million. Wanduephodrang Dzongkhag had lowest irregularities amounting to Nu.0.280 million followed by Pemagatshel Dzongkhag amounting to Nu.0.544 million.

4.1.3 Irregularities in advances and payments continue to feature as most significant findings

Irregularities in advances, procurements, constructions and over, irregular & inadmissible payments still featured as most significant and prominent issues which require urgent attention of the Government.

4.1.4 Fraud, Corruption and Embezzlement

Cases of strong indicators of fraud, corruption and embezzlement included payments disbursed for activities not carried, forgery and tampering of documents, payments disbursed without execution of works, payments made for materials not received, acceptance of inferior goods, acceptance of substandard works, misappropriation of cash balances etc. Such cases reported during the year aggregated to Nu.13.559 million as against Nu. 3.715 million reported in 2005. Significant cases strong indicators of fraud, corruption and embezzlement reported by amounts are summarized agency-wise as below:

Table showing the agency responsible for fraud, corruption and embezzlement (Nu. in million)

| Sl. No. | Agency Responsible | Amount |
|----------------|--|---------------|
| 1 | Ministry of Education | 2.755 |
| 2 | Ministry of Agriculture | 0.631 |
| 3 | Ministry of Home & Cultural Affairs | 0.488 |
| 4 | Ministry of Health | 0.014 |
| 5 | Judiciary | 0.252 |
| 6 | Dzongkhag Administration, Sarpang | 0.466 |
| 7 | Dzongkhag Administration, Gasa | 0.938 |
| 8 | Dzongkhag Administration, Tsirang | 4.799 |
| 9 | Dzongkhag Admin, Bumthang, Chukha, Lhuentse, Mongar, Paro Punakha, Sarpang and Trongsa | 0.651 |

| | | |
|----|--------------|---------------|
| 10 | Shaba Gewog | 0.389 |
| 11 | Samar Gewog | 0.428 |
| 12 | Other Gewogs | 1.748 |
| | Total | 13.559 |

While a more focused approach applied in auditing of risk prone areas had helped the RAA detect such cases, absence of adequate internal controls and check and balance mechanism in the agencies had facilitated perpetration of fraud, corruption and embezzlement. Proper system of check and balance including financial and supervisory controls as well as presence of strong internal audit and greater transparency in procurements would have minimized the scope of possible corrupt practices in the organizations.

4.1.5 Mismanagement

This included mismanagement of funds, properties, human resources, revenue & taxes including short and non-collections etc. During the year unresolved cases of mismanagement aggregated to Nu.2.427 million. Mismanagement mainly occurred in agencies like the Ministry of Agriculture, Ministry of Finance, Ministry of Health, Ministry of Information and Communication, Ministry of Works and Human Settlement and the Dzongkhags.

4.1.6 Violation of Laws, Rules and Regulations

This included violation of service rules, violation of budgetary and accounting norms, violation of procurement norms, violation of Acts, Directives & Policies etc. The unresolved cases of violation of Laws, Rules and Regulations aggregated to Nu.7.593 million as shown in table below. Of the total unresolved cases of Nu.7.593 million, Violation of Procurement norms aggregated to Nu.6.096 million.

Table showing the agency responsible for violation of Laws, Rules and Regulations (Nu. in million)

| Sl.No. | Agency Responsible | Amount |
|---------------|--------------------------------------|---------------|
| 1 | Ministry of Agriculture | 0.596 |
| 2 | Ministry of Labour & Human Resources | 1.549 |
| 3 | Ministry of Works & Human Settlement | 0.588 |
| 4 | Ministry of Home & Cultural Affairs | 0.025 |
| 5 | Ministry of Trade & Industry | 0.120 |
| 6 | Judiciary | 0.043 |
| 7 | Gewogs | 4.071 |
| 8 | Dzongkhags | 0.601 |
| | Total | 7.593 |

Inadequate supervisory controls, complacency and segregation of duties could have attributed to such irregularities.

4.1.7 Shortfalls, lapses and deficiencies

The shortfalls, lapses and deficiencies involving Nu.82.353 million during the year included over, excess, inadmissible, irregular, double payments, irregularities in advances, non-maintenance and improper maintenance of records, improper recording and non-reconciliation of accounts. Out of the total amount unresolved cases of Nu.82.353 million, irregularities in advances alone aggregated to Nu. 59.714 million.

Table showing the agency responsible for shortfalls, lapses and deficiencies (Nu. in million)

| Sl.No. | Agency Responsible | Amount |
|--------|---|---------------|
| 1 | Dzongkhags | 43.735 |
| 2 | Ministry of Labour & Human Resources | 13.864 |
| 3 | Ministry of Home and Cultural Affairs | 12.231 |
| 4 | Ministry of Agriculture | 1.642 |
| 5 | Ministry of Works & Human Settlement | 0.936 |
| 6 | Ministry of Education | 1.703 |
| 7 | Ministry of Trade and Industries | 0.634 |
| 8 | Ministry of Finance | 1.500 |
| 9 | Ministry of Information & Communication | 0.374 |
| 10 | Ministry of Health | 0.023 |
| 11 | Autonomous Bodies | 0.851 |
| 12 | Gewogs | 4.860 |
| | Total | 82.353 |

Inadequate internal controls particularly supervisory and accounting controls as well as absence of proper instructions and accountability resulted in such lapses.

4.2 Corporations, Financial Institutions and NGOs

The Royal Audit Authority during the year had issued 58 inspection reports in respect of the Corporations, Financial Institutions and NGOs. The total unresolved significant irregularities aggregated to Nu.80.843 million as summarized below and depicted in Table – 4.2.

| SL. No. | Category of Agencies | Amount 2006 | Amount 2005 | Amount difference | % |
|---------|------------------------|---------------|----------------|-------------------|----------------|
| 1 | Corporations | 19.846 | 15.188 | 4.658 | 30.67 |
| 2 | Financial Institutions | 49.342 | 110.600 | (61.258) | (55.39) |
| 3 | NGOs | 11.655 | 4.926 | 6.729 | 136.60 |
| | Total | 80.843 | 130.714 | (49.871) | (38.15) |

4.2.1 Unresolved significant irregularities reduced by 38.15%

Unresolved irregularities in Corporations, Financial Institutions and Non-Government Organizations reduced from Nu.130.714 million in 2005 to Nu. 80.843 million in 2006 representing a reduction of 38.15% in the aggregate amount of irregularities. Financial Institutions had the highest amounts of unresolved irregularities amounting to Nu.49.342 million followed by Corporations Nu.19.846 million and NGOs Nu.11.655 million.

4.2.2 Unresolved irregularities in Corporations and NGOs increased while unresolved irregularities in Financial Institutions reduced

As compared to the AAR 2005, unresolved irregularities reported in the Corporations and NGOs increased by 30.67% and 136.60% respectively. Increase in the amounts of unresolved irregularities in respect of corporations was mainly due to more numbers of audits conducted and reports issued where as unresolved irregularities in NGOs had increased due to absence of proper system of check and balance.

Unresolved irregularities in the Financial Institutions reduced from Nu. 110.600 million to Nu.49.342 million, indicating a reduction of Nu.61.258 million i.e., by 55.39% as compared to AAR 2005. Loans and advances granted by the financial institutions in the normal course of business constituting their main activities which are subject to adequate follow-up procedures for recoveries were not reported in the AAR except those sanctioned without completing prescribed procedures and where adequate documentations were lacking.

4.2.3 Unsettled irregularities in advances and irregular loans constituted as most significant findings

Of the total amount of unresolved significant irregularities of Nu. 80.843 million, irregularities pertaining to loans and advances amounted to Nu. 56.355 million i.e. 69.71% of the total irregularities reported.

RECOMMENDATIONS

With a view to improve the system of check and balance and promote greater accountability amongst decision makers and executing agencies for their decisions, actions and ensuring economic, efficient and effective use of public resources in compliance to applicable laws, rules and regulations, the Royal Audit Authority having regard to the nature of shortcomings and lapses observed, recommends the following:

5.1 Internal control system in the organizations needs to be improved

Large incidences of irregularities involving over, excess and irregular payments, embezzlements, fraud and corruption, violations of laws, rules and regulations and mismanagement of funds and properties indicate lack of adequate internal controls in many organizations. It is therefore inevitable that the system of check and balance in the ministries and government organizations are strengthened. These include organizational, managerial and supervisory controls, accounting and financial controls, physical controls, segregation of duties and transparency in decision making process. Tender Committees also need to be made more accountable and effective. Besides it is imperative to enhance the capability of the internal audits and institute the rotation of duties and ensure periodic transfer of employees in certain positions.

Finance and Accounts personnel including controlling officers and supervisors should play effective role in improving the system of check and balance and preventing fraud and corruption. Record keepings should be improved to promote accountability and timely and accurate reporting.

Adequately trained accounts personnel should be posted to Gewogs to facilitate proper record keepings.

There were differences in the financial statements generated by Budget and Accounting System (BAS) and those based on records maintained manually. BAS needs to be improved to render fully reliable and dependable system.

5.2 Internal Audit System must get due prominence

Presently internal auditing is confined to the ministries and manned only with limited staff. Given the importance of the internal audit function as an aid to the management in continuously monitoring and polishing the operations of the internal controls in the organizations, preventing and detecting errors, frauds and other lapses it is necessary that the internal audit divisions are adequately manned and strengthened. The present strength of one to three internal auditors in each Ministry is too restrictive for them to carry out an effective internal audit function. As a strong and most important element of internal control system, it is

imperative that internal audit divisions are manned by adequate numbers of appropriately qualified and experienced internal auditors.

The internal auditing is an integral part of the management and not an independent external oversight function. However, it may be necessary to issue appropriate standards, guidelines and manuals for the internal auditors for carrying out their works effectively, competently and in a professional manner.

5.3 Timely release of budgets to be ensured

The RAA had observed many instances of expenditure booked towards close of the year without actually carrying out the activities against fictitious bills. Usual explanations were that releases were received late and to avoid lapse of funds expenditures were booked with the intention to implement the activities in the following year. Such a practice of booking expenditure against fictitious bills constitutes violation of budgetary and accounting norms and is fraught with the risk of possible siphoning of funds.

Besides ensuring timely release of funds the Ministry of Finance may consider issuing strict instructions against such practices. The Ministry of Finance may also consider reviewing the budgetary process and revitalizing the funds in cases where activities cannot be implemented due to late receipts of funds or other exigencies recognizing the timing of budget preparation when such activities cannot be anticipated in advance for incorporation in the subsequent year's budget.

5.4 Rules and Regulations particularly procurement rules should be reviewed and updated periodically to render them relevant and effective

Effectiveness of financial rules and regulations also depends on their relevance and practicability. There is a need to establish a mechanism to ensure timely review and revision of the financial rules and regulations particularly procurement rules. The adequacy of existing financial reporting system and government accounting system in general may be reviewed and modified. Basis of accounting may need to be modified to incorporate features for comprehensive reporting of property, other inventory items, receivables, liabilities etc.

5.5 Financial Institutions must ensure proper documentations prior to release of loans

The RAA observed many instances of inadequacies in the documentations of advances including non-compliance of requisite procedures while sanctioning loans and advances by the financial institutions. Despite repeatedly pointing out such lapses by the RAA in the past, procedures were not complied with. Since lack of documents may give rise to

complications in future in the event of defaults by clients, the financial institutions are advised to ensure that all requisite formalities and documentations are strictly complied with.

5.6 Timely actions on cases of serious nature

While there have been improved compliances on the audit reports over the years, cases of serious nature reported need more attention. Timely actions on reported cases involving fraud, embezzlement of funds and other lapses of serious nature will act as deterrent against reoccurrence of such cases. Administrative authorities at times fail to initiate timely and adequate actions. Instead cases are closed with recoveries of amounts embezzled that too in some instances with the flexibility to settle the amounts on installment basis. Save in some cases i.e., when larger amounts involved, no legal or administrative actions are taken. The facility to repay the amounts on installments would mean that services of perpetrators of fraud are further secured thereby exposing the organization to future risks and creating environment conducive to commit similar offences of serious nature.

Irrespective of whether the cases are detected internally by the organizations themselves or others including the RAA, it is imperative that appropriate actions are initiated for offences of criminal nature if intention to defraud or acts of willful deceits are prima-facie established.

5.7 Due diligence to be exercised over sanctioning advances

In general, follow-up mechanism over the advances was found to be lacking. While there have been some improvements in the recent years in terms of record keeping, timely follow up of advances is still far from satisfactory. Accumulation of huge amounts of unadjusted advances including overdue balances depicts lack of effective follow up mechanism and payment of excessive and unauthorized advances. Records of Corporations reflect government agencies in their sundry debtors list whereas these are either not reflected at all by the Government agencies or shown as advances. The system of confirmation of balances, reconciliation of accounts between the agencies and proper adjustments of amounts upon receipts of goods and services are lacking in most cases. With the passage of time and transfer of dealing officials and absence of proper documentations, it would be increasingly difficult to adjust the outstanding balances. There is a need to exercising due diligence in sanctioning advances and ensuring timely liquidation through adequate follow-up of unsettled advances to avoid accumulation of unadjusted advances.

5.8 *Disparities in DSA payments, payment of residential telephone charges and Taxi fares in corporations to be reviewed*

There were disparities among various Government owned or controlled corporations regarding the payments of DSA during medical treatment in India, payment of residential telephone bills and taxi fare claims. In some corporations DSA at full rates were paid to officials and their family members during medical treatment. There were also some cases where ceilings were found fixed for regulating residential telephone bills, in other cases entire amounts of the bills were directly paid by the Corporations without segregating officials and private calls. Since DSA payments during travel abroad are regulated as per RGoB norms, taxi hire charges were also found paid in some corporations which were not as per the RGoB norms.

The Government may review the appropriateness and admissibility of the above payments in the Government Corporations. The anomaly in payment of DSA during medical treatment between Government Corporations and government agencies may also be reviewed.

DETAILED FINDINGS

BUDGETARY AGENCIES

Budgetary agencies consist of Ministries & Departments, Armed Forces, Dzongkhags, Gewogs, Autonomous Bodies and Judiciary. Category of agency-wise detailed findings are presented as under.

MINISTRIES AND DEPARTMENTS

6.1 Ministry of Agriculture

The Royal Audit Authority during the year had issued twenty nine Inspection Reports in respect of the Ministry of Agriculture. The total unresolved significant irregularities of the Ministry amounted to Nu. 2.976 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category Code |
|---------|--|--------------|---------------|
| 1 | Fraud, Corruption and Embezzlement | 0.631 | 1 & 2 |
| 2 | Mismanagement | 0.107 | 3 |
| 3 | Violation of Laws, Rules and Regulations | 0.596 | 4 |
| 4 | Shortfalls, lapses and deficiencies | 0.443 | 5 |
| 5 | Outstanding advances | 0.945 | 5 |
| 6 | Excess payments in constructions | 0.051 | 5 |
| 7 | Excess payment to employees | 0.203 | 5 |
| | Total | 2.976 | |

1. Fraud, Corruption & Embezzlement – Nu. 0.631 million

The Ministry had cases of the strong indicators of fraud, corruption and embezzlement aggregating to Nu.0.631 million as summarised below:

Table showing summary of fraud, corruption and embezzlement (Nu. in million)

| SL. No. | Observations in brief | Amount | Para No. | Who are accountable? |
|---------|--------------------------------|--------------|----------|--|
| 1.1 | Misuse of revenue | 0.567 | 2 & 2.1 | Kesang Dorji, Farm Suptd. T.B. Thapa, Senior Forester |
| 1.2 | Payment for works not executed | 0.064 | 1.1 | Tashi Wangdi, Dy. Forest Ranger |
| | Total | 0.631 | | |

The cases are explained hereunder:

1.1 *Misuse of revenue – Nu. 0.567 million*

- a) The Management of Brown Swiss Farm, Bumthang during the period 1st July 1999 to 30th March 2006 had collected revenues amounting Nu.0.550 million on account of sale of milk and other diary products but was found neither deposited into the account maintained with the Bank of Bhutan (BOB) nor could be physically verified as the Farm Superintendent Kesang Dorji, was on medical leave. No action has been taken against the misuse of funds.
- b) The revenue collection of Nu.0.017 million by the Thrumshingla National Park, Ura on account of royalty and miscellaneous receipts from the Park Range was found neither accounted for in the revenue cash book nor deposited into the RGR account. While the amount was subsequently deposited into Audit Recoveries Account no action as per Rules and Regulations has been taken for the misuse of funds.

1.2 *Payment for works not executed- Nu. 0.064 million*

The Divisional Forest Office, Samdrup Jongkhar had paid Nu.0.064 million towards the cost of providing and fixing 209.58 sqm CGI sheets for the renovation and electrification of staff quarter and Range Office at Jomotshangkha without executing the works. While the amount has been recovered, no action has been taken against the payments made for works not executed.

2. **Non- realization of sales proceeds– Nu.0.107 million (Para No. 3)**

The Brown Swiss Farm, Bumthang had not realized the sale proceeds of farm products amounting to Nu.0.107 million.

Who is accountable?

Kesang Dorji, Farm Superintendent

3. **Violation of Laws, Rules & Regulations– Nu. 0.596 million**

The Ministry had cases of violation of laws, rules and regulations involving Nu.0.596 million as summarized below:

Table showing summary of violation of laws, rules and regulations (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--------------------------------------|--------------|----------|--|
| 3.1 | Violation of budgetary norms | 0.561 | 6 | Dorji Dukpa, National Co-Director, Dorji Dhap, Project F.O |
| 3.2 | Irregular application of leave rules | 0.035 | 2 | Dhanapati Donyel, ARO-Cum Administrative Officer, |
| | Total | 0.596 | | |

The cases are explained hereunder:

3.1 *Closing cash balance surrendered to the DBA - Nu. 0.561 million*

The various project implementing agencies of WWMP had surrendered the year end cash closing balance to the Department of Budget and Accounts (DBA) as under:

| Sl. No. | Agency | Amount (Nu.) | Remarks |
|----------------------|-------------------|-------------------|--|
| 1 | Thimphu Dzongkhag | 100,000.00 | Deposited vide Vr.No.15 of 24.06.05. Fund released for Bio and Civil engineering structure in Pugzhi under Mewang Gewog. |
| 2 | Chukha Dzongkhag | 366,489.71 | Closing cash balance of the financial year 2004-05 surrendered to DBA vide L.No.KH/Accts-01/2005-06/1334 dt.02.09.2005 |
| Chukha Gewogs | | | |
| 3 | Dungna Gewog | 20,295.00 | Advance recovery deposited to Non-revenue A/c. Bank of Bhutan, Tsimasham on 29.06.05 |
| 4 | Lokchina Gewog | 36,148.00 | Advance recovery deposited to Non-revenue A/c. Bank of Bhutan, Tsimasham on 28.06.05 |
| 5 | Darla Gewog | 4,650.00 | Advance recovery deposited to Non-revenue A/c. Bank of Bhutan, Tsimasham on 28.06.05 |
| 6 | Geling Gewog | 15,356.50 | Advance recovery deposited to Non-revenue A/c. Bank of Bhutan, Tsimasham on 28.06.05 |
| 7 | Dungna Gewog | 4,095.00 | Advance recovery deposited to Non-revenue A/c. Bank of Bhutan, Tsimasham on 12.8.05. |
| Paro Gewogs. | | | |
| 8 | Dotey Gewog | 4,972.00 | Deposited to BoB on 23.08.05 and receipt acknowledge by the DBA vide L.No.F/ATM/BF-Deposit/2005-2006/4932 dt.24.11.2005. |
| 9 | Naja Gewog | 5,867.00 | Deposited to BoB on 10.11.05 and receipt acknowledge by the DBA vide L.No.F/ATM/BF-Deposit/2005-2006/4932 dt.24.11.2005. |
| 10 | Dopsari Gewog | 3,261.00 | Deposited to BoB on 23.06.05 and receipt acknowledge by the DBA vide L.No.F/ATM/BF-Deposit/2005-2006/4932 dt.24.11.2005. |
| | Total | 561,134.21 | |

The above amount of Nu.0.561 million surrendered to the DBA/DPA was not reflected in the Fund Release Statement of the Ministry of Finance. No action was taken to rectify the Fund Release Statement.

3.2 *Irregular application of leave rules – Nu. 0.035 million*

Some of the officials and staffs of the RNR-RC, Wengkhar were paid LTC amounting to Nu.0.035 million for the probation period which was not admissible as per the Civil Service Rules and Regulations.

4. Shortfalls, lapses and deficiencies– Nu. 0.443 million

The Ministry had cases of shortfalls, lapses and deficiencies involving Nu. 0.443 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|-----------------------------------|--------------|----------|--|
| 4.1 | Non-reconciliation of Accounts | 0.119 | 5.2, 11 | Dipendar Ghalley, Finance Officer, Dorji Dhap, Finance Officer, |
| 4.2 | Non and short deductions | 0.081 | 3.1 | Tshering Phuntsho, Sr. Park Ranger, Karma Thinley, Park Manager |
| 4.3 | Double issue of extension kits | 0.061 | 2 | Dorji Wangdi, Project Manager |
| 4.4 | Payment without bills and receipt | 0.045 | 1.1.2 | Dorji Wangchuk, Senior Research Officer. |
| 4.5 | Irregular payment | 0.105 | 4 | Kesang Dorji, Farm Suptd. |
| 4.6 | Non-deduction of house rents | 0.032 | 1.2 | Individuals concerned, Sonam Zangpo, ADF, and Om Nath Dhakal, Sr. Fg |
| | Total | 0.443 | | |

The cases are explained hereunder:

4.1 Non-reconciliation of accounts - Nu. 0.119 million

The BAS generated Receipt and Payment Statement of the Department of Livestock had differences between the statutory and other deductions and their remittances as highlighted below:

| Sl. No. | Object Name | Collection Annual Progressive (Nu.) | Deposit Annual Progressive (Nu.) | Variation (Nu.) (+) / (-) |
|---------|----------------------------------|-------------------------------------|----------------------------------|---------------------------|
| i | Revenue Receipts and Remittances | 385,499.31 | 379,578.31 | -5,921.00 |
| ii | GPF Employees Contribution | 242,879.00 | 365,800.00 | +122,921.00 |
| iii | Group Insurance Scheme | 23,300.00 | 23,260.00 | -40.00 |
| iv | Other Insurance Premium | 21,435.00 | 21,315.00 | -120.00 |
| v | Loans | 423,090.20 | 426,590.20 | +3,500.00 |
| vi | Others | 41,769.50 | 40,529.19 | -1,240.31 |
| | Total | 1,137,973.01 | 1,257,072.70 | +119,099.69 |

Note: (+) means excess deposit and (-) means short deposit

No actions were taken to reconcile the differences.

4.2 Non-deduction of house rents- Nu. 0.081 million

The Jigme Dorji National Park, Damji, Gasa had not deducted the house rent amounting to Nu.0.199 million for the period from January 2004 to 30th June 2005 from the salaries of the staff occupying the government quarters as per the rules. Out of Nu.0.199 million, a sum of Nu.0.118 million was deposited leaving a balance of Nu.0.081 million

4.3 Double issue of extension kits – Nu. 0.061 million

The ECR-ADP, Zhemgang had incurred expenditure of Nu.0.061 million for the purchase of extension kits to be issued to the officials of the Dzongkhag. However, the Dzongkhag too had approved budget and the extension kits were procured and distributed resulting in double issuance of extension kits.

4.4 Payment without bills and receipt – Nu.0.045 million

The Renewable Natural Resources, Research Centre, Jakar had shown Nu.0.045 million as expenditure incurred on farmers training in Mushroom production, marketing, and group formations in Gewogs out of which Nu.0.004 million were not paid to the participants. The payment of balance amount of Nu.0.041 million were found made on hand receipts, which was not verified by the controlling officers.

4.5 Irregular payment – Nu.0.105 million

Fertilizers valuing Nu.0.105 million were purchased and stated to have been used in the pastures without making entry in the stock register by the Brown Swiss Farm, Bumthang.

4.6 Non-deduction of house rents – Nu. 0.032 million

The Divisional Forest Office, Sarpang had not deducted house rents aggregating to Nu.0.224 million from officials and staffs residing in the government quarters out of which a sum of Nu.0.192 million were subsequently deposited leaving a balance of Nu.0.032 million.

5 Outstanding advances– Nu. 0.945 million

The Ministry had cases of overdue advances against officials, staffs and other parties aggregating to Nu.0.945 million as summarized below:

Table showing summary of outstanding advances (Nu. in million)

| Sl. No. | Agency | Amount | Para No. | Who are accountable? |
|---------|---------------------------|--------|----------|--|
| 5 (a) | Department of Agriculture | 0.080 | 05 | Individuals concerned , Pema Tamang, Accountant, & Sonam Wangdi, Dy. Secretary, (supervisory) |
| 5 (b) | Department of Livestock | 0.167 | 2 | Individuals concerned, Sonam Leki, SFO, and Dipendra Ghalley, F.O (supervisory) |

| | | | | |
|-------|-----------------------------------|--------------|-----|--|
| 5(c) | Wang Watershed Management Project | 0.268 | 12 | Individuals concerned, Jambay Dorji, National Co-Director, (supervisory), and Dorji Dhap, F.O. (supervisory) |
| 5 (d) | AMEPP, PFO, Khangma | 0.190 | 13 | Tshering Tenzin, Chief Accountant |
| 5 (e) | SEZAP, PFO, Khangma | 0.049 | 7 | Tshering Tenzin, Chief Accountant |
| 5 (f) | CMU, Bumthang | 0.120 | 1.1 | Penjor, Officer In-charge |
| 5 (g) | DFO, Mongar | 0.071 | 17 | Tshewangla, DCA, and Sither Dorji, DFO (supervisory) |
| | Total | 0.945 | | |

The cases are explained hereunder:

- a) Advances aggregating to Nu.0.848 million were lying unadjusted against various employees of the Department of Agriculture of which Nu.0.768 million were liquidated leaving a balance of Nu. 0.080 million.
- b) The Department of Livestock had advances amounting to Nu. 0.524 million lying unadjusted against various officials and parties of which Nu. 0.357 million were liquidated leaving a balance of Nu. 0.167 million.
- c) The Wang Watershed Management Project, Paro had outstanding advances of Nu.5.592 million granted during the financial year 2004-05 against the Project employees and other project implementing agencies. Against Nu. 5.592 million, a sum of Nu. 5.324 million was liquidated leaving a balance of Nu. 0.268 million.
- d) The PFO, Khangma under the AMEPP had advances amounting to Nu.1.093 million against the employees, suppliers and others parties of which Nu.0.903 million were reported as adjusted/recovered leaving a balance of Nu.0.190 million.
- e) The PFO, Khangma under the SEZAP had advances amounting to Nu.0.569 million lying unadjusted against the employees, suppliers and others parties. Out of Nu.0.569 million, Nu.0.520 million were reported as adjusted/recovered leaving a balance of Nu.0.049 million.
- f) The Central Maintenance Unit (CMU), Bumthang had unadjusted advances of Nu.1.660 million lying against the officials, staffs and the suppliers. The CMU management stated that advances amounting to Nu.1.540 million were settled leaving a balance of Nu.0.120 million. However, the details of adjustment made had not been provided for verification.
- g) The Divisional Forest Office, Mongar had outstanding advances of Nu. 0.511 million against the officials and staff, out of which Nu.0.440 million were reported as liquidated leaving a balance of Nu.0.071 million.

6. Over and excess payments to contractors – Nu.0.051 million

The Ministry had cases of over and excess payments aggregating to Nu.0.051 million as summarized below:

Table showing summary of Over and Excess payments (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--|--------------|----------|---|
| 6.1 | Over payment in extension works of Range Office, Punakha | 0.027 | 1 | Nedrup Tshewang, Site Engineer, & Phento Tshering, Chief Forest Officer |
| 6.2 | Excess payment to transporters | 0.024 | 1.1 | Yeshe Dorji, Accountant, and Karma Gyeltshen, Ex OIC |
| | Total | 0.051 | | |

The cases are explained hereunder:

6.1 Over payment in extension work - Nu. 0.027 million

The Divisional Forest Office, Lobesa had made an excess payment of Nu. 0.027 million to M/s Pioneer Construction, Thimphu due to excess measurement for some items of works and for items not provided in the BOQ in respect of extension of Punakha Range Office.

6.2 Excess payment to transporters – Nu. 0.024 million

The private transporters who were awarded the work to transport feeds from Phuntsholing to the National Warm Water Fish Culture Center, Gelephu were paid transportation charges for 235 KMs instead of officially approved distance 198 KMs resulting to excess payment of Nu. 0.029 million.

Out of Nu.0.029 million, a sum of Nu.0.005 million was deposited leaving a balance of Nu.0.024 million.

7. Excess payments to employees – Nu. 0.203 million

The Ministry had cases of excess payments of Nu.0.203 million to employees as summarized below:

Table showing summary of over payments to employees (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|-----------------------------------|--------|----------|--|
| 7.1 | Excess Payment of DSA | 0.058 | 2.1 | Officials concerned, and Chencho Norbu, Programme Director |
| 7.2 | Excess payment of airfare and DSA | 0.021 | 2.2 | Officials concerned, Sonam Tobgay, Accountant, and Chencho Norbu, Programme Director |

| | | | | |
|-----|--|--------------|---|--|
| 7.3 | Irregularities in payment of Airfare and DSA | 0.124 | 1 | Officials concerned, and Chencho Norbu, Programme Director |
| | Total | 0.203 | | |

The cases are explained hereunder:

7.1 Excess Payment of DSA - Nu. 0.058 million

The Sustainable Land Management Project under the National Soil Service Centre, Semtokha had made excess payment of Nu.0.058 million to four officials during their negotiation meeting for Sustainable Land Management Project in Washington DC in November 2005.

7.2 Excess payment of airfare and DSA – Nu. 0.021 million

The Sustainable Land Management Project under the National Soil Service Centre, Semtokha had made excess payment of Nu.0.021 million on account of airfare and DSA during the visit of Program Director, NSSC to Beijing, China in September 2005 to attend the 15th International Plant Nutrition Colloquium.

7.3 Irregularities in payment of Airfare and DSA for study tour - Nu. 0.124 million

The Sustainable Land Management Project under the National Soil Service Centre, Semtokha had made an irregular payment of Nu.0.124 million (Nu.0.094 million on account of airfare plus Nu.0.030 million on DSA) to 11 officials during their Study Tour to Thailand and Philippines.

6.2 Ministry of Education

The Royal Audit Authority during the year had issued seven Inspection Reports in respect of the Ministry of Education. The total unresolved significant irregularities of the Ministry amounted to Nu.4.458 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|---|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 2.755 | 1 & 2 |
| 2 | Shortfalls, lapses and deficiencies | 0.376 | 5 |
| 3 | Outstanding advances | 1.032 | 5 |
| 4 | Over and excess payments in constructions | 0.295 | 5 |
| | Total | 4.458 | |

1. Fraud, Corruption and Embezzlement – Nu. 2.755 million

The Ministry of Education had cases of forgery, tampering of documents, payments made without conducting workshops and without receiving goods aggregating to Nu.2.755 million, which were strong indicators of the existence of fraud and corruption as below:

1.1 Fictitious payments for workshops not conducted – Nu. 0.589 million

The Ministry had cases of fictitious payments made for workshop not conducted amounting to Nu.0.589 million as summarized below:

Table showing summary of workshop not conducted (Nu. in million)

| SL. No. | Programmes | Amount | Para No. | Who are accountable? |
|---------|--|--------------|---------------|---|
| 1 | Advocacy, Planning & Management workshop at Wangduephodrang Dzongkhag | 0.157 | 1 (b) & 2 (b) | Namgay Tshering, DEO, Wangduephodrang Dzongkhag |
| 2 | Advocacy, Planning & Management workshop at Trashiyangtse Dzongkhag | 0.110 | 1(c) | Dorji Wangchuk, Jt. Director, NFCED |
| 3 | Advocacy, Planning & Management workshop at Samtse Dzongkhag | 0.112 | 1(d) | Karma Dendup, DEO, Samtse Dzongkhag |
| 4 | Advocacy, Planning & Management workshop at Mongar Dzongkhag | 0.135 | 1 (e) | Dorji Wangchuk, Jt. Director & Sangay Dorji, ADEO, Mongar |
| 5 | Advocacy, Planning & Management workshop at Samdrup Jongkhar Dzongkhag | 0.024 | 1 (i) | Passang Dorji, DEO, Samdrup Jongkhar Dzongkhag |
| 6 | Study on NFE Policies and Practices | 0.051 | 7.1 | Rinchen Dorji, Sr. Programme Officer, NFCED |
| | Total | 0.589 | | |

The cases are explained hereunder:

- a) The Department of Adult and Higher Education had booked expenditure aggregating to Nu.0.457 million without conducting the Workshop on Advocacy, Planning and Management under the *Expanded Basic Education Programme* for the Head Teachers in five Dzongkhags of Wangduephodrang, Trashiyangtse, Samtse, Mongar and Samdrup Jongkhar.
- b) An expenditure of Nu.0.082 million was booked without conducting the workshop for the Local leaders in Wangduephodrang.
- c) Expenditure of Nu.0.051 million was booked without conducting the workshop on NFE Policies and Practices for the non-formal instructors under *IA* account.

The DEO of Wangduephodrang, Samtse, and the Joint Director of Non-Formal and Continuing Education Division (NFCED) deposited in total

Nu 0.430 million leaving a balance of Nu.0.159 million yet to be deposited. The service of the former Joint Director NFCED was terminated and case has been forwarded to the Office of the Attorney General for appropriate actions. In case of other officials, the Ministry of Education had taken only administrative actions besides recovering the amounts partly.

1.2 *Forgery of signatures and tampering of documents – Nu. 1.971 million*

The Ministry had cases of forgery of signature and tampering of documents aggregating to Nu.1.971 million as summarized below:

Table showing summary of forgery of signature and tampering of documents (Nu. in million)

| Sl. No. | Name of workshop | Amount | Para No. | Who are accountable? |
|---------|---|--------|------------------|--|
| 1 | Advocacy, Planning & Management workshop in Trongsa Dzongkhag | 0.031 | 1 (f) | Dorji Wangchuk, Jt. Director, NFCED |
| 2 | Advocacy, Planning & Management workshop at Pemagatshel Dzongkhag | 0.058 | 1 (g) | Dorji Wangchuk, Jt. Director, NFCED |
| 3 | Advocacy, Planning & Management workshop at Haa Dzongkhag | 0.021 | 2 (b) | Dorji Wangchuk, Jt. Director, NFCED |
| 4 | Advocacy, Planning & Management workshop at Samtse Dzongkhag | 0.043 | 2 (c) | Dorji Wangchuk, Jt. Director, NFCED |
| 5 | Advocacy, Planning & Management workshop at Zhemgang Dzongkhag | 0.108 | 2 (d) | Dorji Wangchuk, Jt. Director, NFCED |
| 6 | Advocacy, Planning & Management workshop at Tsirang Dzongkhag | 0.043 | 2 (e) | Dorji Wangchuk, Jt. Director, NFCED |
| 7 | Inadmissible adjustments | 0.179 | 1 (o) & 2 (f) | Dorji Wangchuk, Jt. Director, NFCED |
| 8 | Enrolment Campaign in 10 Dzongkhags | 0.257 | 3 | Dorji Wangchuk, Jt. Director, NFCED |
| 9 | Dzongkha EVS in Chhukha, Bumthang & Pemagatshel Dzongkhags | 0.137 | 4 (a), (d) & (g) | Phurba, Lecturer, Paro College of Education |
| 10 | Dzongkha EVS in Trashigang, Trashiyangtse & Zhemgang Dzongkhags | 0.123 | 4 (c), (e) & (f) | K.D. Yeshey, Lecturer, Paro College of Education |
| 11 | Dzongkha EVS in Mongar, & Samdrup Jongkhar Dzongkhags | 0.025 | 4 (b) & (h) | Dorji Wangchuk, Curriculum Officer, CAPSD |
| 12 | Material Development Workshop at Thimphu | 0.023 | 5(a) | Dorji Wangchuk, Jt. Director, NFCED |
| 13 | Iron Supplementation Programme, Samtse | 0.004 | 5 (b) | Sonam Jamtsho, former ADEO, Samste Dzongkhag |
| 14 | International Literacy Day Celebration-2003 | 0.017 | 5 (c) | Dorji Wangchuk, Jt. Director, NFCED |
| 15 | Early Childhood Care & Development (ECCD) | 0.020 | 5 (d) | Dorji Wangchuk, Jt. Director, NFCED |

| | | | | |
|----|--|-------|-----------------|--|
| | workshop | | | |
| 16 | Material Development Workshop on ECCD at Thimphu | 0.016 | 5(e) | Dorji Wangchuk, Jt. Director, NFCED |
| 17 | Cluster Based In-Service Programme workshop | 0.008 | 5 (f) | Dorji Wangchuk, Jt. Director, NFCED |
| 18 | Pre-Testing of NFE Training Manual at Thimphu & Mongar | 0.021 | 5 (g) | Dorji Wangchuk, Jt. Director, NFCED |
| 19 | Clusters Based In-service Programme | 0.012 | 5 (h) | Dorji Wangchuk, Jt. Director, NFCED |
| 20 | Planning & Management Workshop at Mongar | 0.036 | 5 (i) | Dorji Wangchuk, Jt. Director, NFCED |
| 21 | Training of Trainers (TOT) workshop on NFE | 0.030 | 5 (j) | Dorji Wangchuk, 'B', Programme Officer, NFCED |
| 22 | Multi Grade workshop at Bajothang Cluster | 0.026 | 5 (k) | Rajman Tamang, EMO, DSE |
| 23 | Payment at higher grades | 0.070 | 7 (i) | Programme Officers |
| 24 | Basic Unit Leaders Training in Haa Cluster | 0.025 | 1.5A(i) & (ii) | a) Tshering Ngedup, ADEO, Haa b) Thinley Wangmo, Programme Coordinator |
| 25 | Basic Unit Leaders Training in Samdrup Jongkhar Cluster | 0.059 | 1.5B (i) & (ii) | a) Passang Dorji, DEO, S/Jongkhar b) Thinley Wangmo, Programme Coordinator |
| 26 | Basic Unit Leaders Training in Mongar Cluster | 0.039 | 1.5C (i) & (ii) | Dorji Sangay, DEO, Mongar |
| 27 | Basic Unit Leaders Training in Paro Cluster | 0.007 | 1.5D (i) | Wangchuk Namgyel, DEO, Paro |
| 28 | Basic Unit Leaders Training in Punakha Cluster | 0.015 | 1.5E (i) & (ii) | Phurba Wangdi, VP, Khuruthang MSS |
| 29 | Basic Unit Leaders Training in Trashigang Cluster | 0.026 | 1.5.F (i) | a) Ugyen Tshomo, ADEO, Trashigang b) Jigme Yangtse, DEO Trashigang |
| 30 | Basic Unit Leaders Training in Phuntsholing Cluster | 0.006 | 1.5 G (i) | Namgay Dorji, ADEO, Chukha |
| 31 | Basic Unit Leaders Training Trashiyangtse Cluster | 0.005 | 1.5.H (i) | Thinley Wangmo, Programme Coordinator |
| 32 | Training of Trainers (TOT) on Life Skill Workshop in Shaba LSS | 0.051 | 2.1, 2.2 | a) Chenchomo, Drugyel LSS, b) Pema Jamtsho, Peljorling HSS, Sibsu c) Thinley Wangmo, Programme Coordinator, and d) Sangay Passang, Head Teacher Shaba LSS |
| 33 | Training of Trainers (TOT) on | 0.040 | 3.1, 3.2 | Thinley Wangmo, |

| | | | | |
|----|---|--------------|----------|--|
| | Life Skill Workshop in Shaba MSS | | | Programme Coordinator |
| 34 | Training of Trainers (TOT) on Life Skill Workshop in Khuruthang MSS | 0.028 | 4.1, 4.2 | a) Phurba Wangdi, AP, Khuruthang, b) Chenchu Wangmo, Logodama PS, c) Sangay, Gyensa CPS. d) Singye Dorji, Buli PS, and e) Nima Tshering Rukuji CPS |
| 35 | Training of Trainers (TOT) on Life Skill Workshop in Rangjung HSS | 0.033 | 5.1 | Thinley Wangmo, Programme Coordinator |
| 36 | Multi-grade Workshop in 5 Dzongkhags | 0.062 | 6.1, 6.2 | Karchung, Curriculum Officer, CAPSD |
| 37 | Non-Formal Education (NFE) Policies & Practice Survey | 0.085 | 7.2, 7.3 | Rinchen Dorji, Sr. Programme Officer |
| 38 | Workshop on Planning and Management | 0.173 | 8.1, 8.2 | Dorji Wangchuk, Jt. Director, NFCED |
| 39 | Regional Level Cultural Competitions | 0.009 | 9 | Tenzin Rabgay, Cultural Education Coordinator |
| | Total | 1.971 | | |

The cases are explained hereunder:

- a) Amount aggregating to Nu.0.483 million was found siphoned off by forging the signatures of the participants in respect of Workshop on Advocacy, Planning and Management conducted for the Head Teachers and the local leaders of sixteen Dzongkhags and seven Dzongkhags respectively under the *Expanded Basic Education Programme*. Out of Nu.0.483 million, a sum of Nu.0.010 million was deposited leaving a balance of Nu.0.473 million

The service of the former Joint Director of the Non-Formal and Continuing Education Division (NFCED) was terminated and case has been forwarded to the Office of the Attorney General for appropriate actions.

- b) Out of a total expenditure of Nu.0.266 million booked for conducting enrollment campaign in 10 Dzongkhags under the *Expanded Basic Education Programme*, the Programme Officer had fraudulently adjusted Nu.0.257 million by showing payments through forged signature of participants, enhancing the rate of sitting fee from Nu.200.00 per head to Nu.300.00 and booking expenditure without signature of the participants.

The service of the former Joint Director of the Non-Formal and Continuing Education Division (NFCED) was terminated and case has been forwarded to the Office of the Attorney General for appropriate actions

- c) The Dzongkha EVS workshop was conducted in nine Dzongkhags by three different Programme Coordinators. Scrutiny of expenditure revealed that payments aggregating to Nu. 0.285 million were claimed fraudulently by the Programme Coordinators. The modus operandi of manipulations was payments shown against the teachers who did not exist and teachers who did not attend the workshop. The amount has been deposited and the Ministry of Education had taken only administrative actions against the officials for fraudulent claims.
- d) Similarly, in cases of other workshops, the Programme Officers had fraudulently claimed Nu.0.213 million for additional participants and against the officials who did not actually attend the workshop. Out of Nu.0.213 million, a sum of Nu.0.118 million was recovered leaving a balance of Nu.0.095 million. While the service of the former Joint Director was terminated and the case forwarded to the Office of Attorney General, the Ministry of Education had taken only administrative actions in case of other officials.
- e) The participants of various workshops had made excess claim of allowances of Nu.0.169 million by manipulating grades of the officials. Out of Nu.0.169 million, a sum of Nu.0.099 million was recovered leaving a balance of Nu.0.070 million. Further, nine of the teachers intimated that they did not attend the workshop and inflate the grade and were not responsible for repayment. The Ministry had issued reprimand letters to all the Program Coordinators for the excess claims.
- f) Payments aggregating to Nu.0.182 million were fraudulently made against the names of teachers who did not attend the Basic Unit Leaders Training conducted in 8 Dzongkhags by forging the signatures and manipulating the documents in IA accounts. Out of Nu.0.182 million, a sum of Nu.0.033 million was deposited leaving a balance of Nu.0.149 million. No actions have been taken for the forgery of signatures and manipulation of documents till date.
- g) Training of Trainers on Life Skill Workshop under IA Accounts was conducted in four different locations of Shaba LSS, Shaba MSS, Khuruthang MSS and Rangjung HSS during the Financial Year 2004-05. Expenditure aggregating to Nu.0.152 million was fraudulently claimed by the Programme Officer through forgery of signatures of teachers who did not attend the training. Further, payments were shown against some teachers who actually did not exist in the schools mentioned. No actions have been taken for the forgery of signatures and manipulation of documents till date.
- h) Multi-grade Workshop in five Dzongkhags of Mongar/Lhuentse, Trashigang, Punakha, Pemagatshel and Trongsa was conducted

by Karchung, Evaluation and Monitoring Officer under IA Accounts. Payments amounting to Nu.0.062 million were claimed through forgery of signatures of teachers who did not attend the workshop. No actions have been taken for the forgery of signatures and manipulation of documents till date.

- i) Non-Formal Education (NFE) Policies & Practice Survey was carried out by Rinchen Dorji, Programme Officer of the Non-Formal & Continuing Education Division (NFCED). Out of expenditure of Nu.0.255 million reported, Nu.0.085 million were fraudulently claimed in the name of NFE instructors who did not take part in the survey through submission of forged documents. No actions have been taken for the forgery of signatures and manipulation of documents till date.
- j) Participants of the Workshop on Planning and Management conducted at Ugyen Academy, Punakha were paid travel allowance both from the workshop and as well as from the respective Dzongkhags aggregating to Nu.0.138 million. Further, Nu.0.034 million was claimed through forgery of signatures in respect of four participants who did not attend the workshop. No actions have been taken for the forgery of signatures and manipulation of documents till date.
- k) The Regional Level Cultural Competitions was conducted in Chukha, Wangdue and Trashigang Dzongkhags and Nu.0.005 million was shown as TA/DA paid to two teachers who did not actually exist in the school mentioned and Nu.0.004 million was claimed by inflating the grades of participants from BCSR IX to VIII. No actions have been taken for the forgery of signatures and manipulation of documents till date.

1.3 Payment made without receiving goods – Nu. 0.116 million (Para No. 1.1)

Payments aggregating to Nu.0.116 million were made to suppliers without supplying the library books under the *Education Development Project*. Out of Nu. 0.116 million, a sum of Nu. 0.072 million had been deposited and the balance amount of Nu.0.044 million was being deposited in monthly installment of Nu. 1,529.00. The Ministry had not initiated appropriate actions against the officials for the lapses.

1.4 Manipulation of documents- Nu.0.079 million (Para No. 06)

Kids Athletics Programme for Children of Armed Forces was conducted by Dorji Tenzin, National Athletic Coach in seven places of Wangdue, Thimphu, Paro, Punakha, Tsirang, Haa and Phuentsholing in January 2005. An expenditure of Nu.0.079 million was claimed against blank cash memos and inflating the number of participants and rates of refreshment items. An amount of Nu.0.054 million was deposited into Audit Recoveries Account. The Ministry had taken administrative action only for the manipulation of accounts.

2. Shortfalls, lapses and deficiencies – Nu. 0.376 million

The Ministry had cases of shortfalls, lapses and deficiencies involving Nu. 0.376 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observations in brief | Amount | Para No. | Who are accountable? |
|---------|--------------------------------------|--------------|-----------------------------|---|
| 2.1 | Non-imposition of liquidated damages | 0.125 | 13.4 | Tender Committee |
| 2.2 | Non-availability of acknowledgement | 0.229 | 15.3 | Minjur Dorji, Chief Procurement Officer |
| 2.3 | Inadmissible payment | 0.022 | 1.5 C (iii), 1.5 F (ii), | Dorji Sangay, DEO, Pema, Teacher, Ranjung HSS, |
| | Total | 0.376 | | |

The cases are explained hereunder:

2.1 *Non-imposition of liquidated damages- Nu. 0.125 million*

The consultancy fee for the drawing and design of Phase II of construction of the Youth Centre was increased by Nu.0.300 million to enable the works to be completed within 4 months i.e., by 31st March 2005. However, the work got delayed by 17 months but liquidated damages amounting to Nu.0.125 million were not imposed as per the provision of the Procurement Manual.

2.2 *Non-availability of acknowledgement – Nu. 0.229 million*

The Ministry had delivered library books worth Nu.0.229 million to various schools but did not obtain acknowledgment from the recipient schools. No actions were taken against the lapses.

2.3 *Inadmissible payment of daily allowance -Nu.0.022 million*

The participants of the Basic Unit Leaders Training who were from within the radius of 10 Kilometers were paid full TA/DA aggregating to Nu.0.022 million, which was not admissible as per the Bhutan Civil Service Rules and Regulations.

3. Outstanding advances – Nu. 1.032 million

The Ministry had cases of outstanding advances aggregating to Nu.1.032 million as summarized below:

Table showing summary of outstanding advances (Nu. in million)

| SL. No. | Agency/Account | Amount | Para No. | Who are accountable? |
|---------|------------------------------------|--------------|----------|---|
| 3 (a) | IA Account | 0.812 | 12 | Individuals concerned, Tshen Norbu, F.O (supervisory) |
| 3 (b) | Expanded Basic Education Programme | 0.220 | 7 (ix) | Individuals concerned, Sherab Gyeltshen, Accountant (supervisory) |
| | Total | 1.032 | | |

- a) Advances amounting to Nu.3.656 million were lying unadjusted against which Nu.2.844 million were adjusted leaving a balance of Nu.0.812 million. Some of the advances pertained to the financial year 2002-03.
- b) Advances amounting to Nu.0.295 million was lying unadjusted against various officials and staff against which a sum of Nu.0.075 million was reported as liquidated leaving a balance of Nu.0.220 million. The Ministry had reminded the concerned officials vide letter No. MOE/AFD/2006-07/91 of 5/7/2006 and MOE/AFD/2006-07/3396 of 15/11/2006 to deposit the advances.

4. Excess payments to contractors - Nu. 0.295 million

The Ministry had cases of excess payments to contractors aggregating to Nu.0.295 million as summarized below:

Table showing summary of excess payments to contractors (Nu. in million)

| SL. No. | Observations in brief | Amount | Para No. | Who are accountable? |
|---------|-------------------------------------|--------------|----------|-------------------------------|
| 4.1 | Inadmissible payment to consultants | 0.037 | 13 | Karma Sonam, Project Engineer |
| 4.2 | Excess payment of consultancy fees | 0.080 | 13.1 | Karma Sonam, Project Engineer |
| 4.3 | Excess payment to the contractor | 0.178 | 14.1 | Kul Bhadhur, Site Engineer, |
| | Total | 0.295 | | |

The cases are explained hereunder:

4.1 *Inadmissible payment of remuneration of Technical Assistants – Nu. 0.037 million*

M/s Tashi Dawa Associates, Consultants of the construction of Youth Center had been paid consultancy fee which included the remuneration of 3 technical assistants amounting to Nu.0.037 million. This was not admissible as per the financial bid evaluation report.

4.2 *Excess payment of consultancy fee – Nu. 0.080 million*

M/s Tashi Dawa Associate was paid consultancy fees for Phase-I and Phase-II at the original contract value of Nu.1.423 million and not at the reduced contract value of Nu.1.342 million resulting in excess payment of Nu.0.080 million.

4.3 *Excess payment to the contractor – Nu. 0.178 million*

An excess payment of Nu.0.178 million was made to the contractor of the construction of Youth Centre buildings due to certification of excess quantity of work by the Site Engineer.

6.3 Ministry of Finance

The Royal Audit Authority during the year had issued six inspection reports in respect of the Ministry of Finance which included the Regional Revenue & Customs Offices of Gelephu, Samdrup Jongkhar, Phuentsholing, Samtse, Paro and the Duty Free Shop. The total unresolved significant irregularities of the Ministry amounted to Nu. 1.500 million as summarized below:

Table showing summary of observations category and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category Code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Outstanding advances | 0.282 | 5 |
| 2 | Outstanding taxes and revenue | 1.093 | 5 |
| 3 | Shortfalls, lapses and deficiencies | 0.077 | 5 |
| 4 | Excess payments to employees | 0.048 | 5 |
| | Total | 1.500 | |

1. **Non-adjustment of advances - Nu. 0.282 million**

The Ministry of Finance had cases of non-adjustment of advances aggregating to Nu.0.282 million as summarized below:

| Sl. No. | Name of agency | Amount | Para No. | Who are accountable? |
|---------|----------------|--------------|----------|--|
| 1 | RRCO, Gelephu | 0.025 | 2.1 | Individuals concerned, and Tshewang Tashi, Regional Commissioner (supervisory) |
| 2 | LTO, Kolkata | 0.257 | 6.4 | Individuals concerned, and Kesang Dorji, LTO (supervisory) |
| | Total | 0.282 | | |

The cases are explained hereunder:

- a) Advances aggregating to Nu.0.083 million were lying outstanding against the officials and staff of the RRCO, Gelephu of which Nu. 0.058 million were deposited leaving a balance of Nu.0.025 million.
- b) Advances aggregating to Nu.0.257 million were lying unadjusted in Liaison & Transit Office (LTO), Kolkata against the officials and other parties.

2. Overdue taxes and revenue – Nu. 1.093 million

The Ministry had cases of overdue taxes and revenue aggregating to Nu.1.093 million as summarized below:

Table showing summary of outstanding taxes and revenue (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|-----------------------|--------------|----------|---|
| 2.1 | Overdue CIT | 1.023 | 1.1 | Kezang Deki, Head Tax Adm., and Choyzang Tashi, RC (Supervisory) |
| 2.2 | Outstanding CIT & BIT | 0.070 | 1.1 | Bimal Kr. Pradhan, Assistant Director, Anok Kr. Rai Assistant Director, Anil Pradhan, Assistant Director, Ganish Lama Dy. Director, and Tenzin Norbu, RC, (Supervisory) |
| | Total | 1.093 | | |

2.1 Overdue taxes and revenue -Nu. 1.023 million

Chukha Hydro Power Corporation Ltd. had not paid Corporate Income Tax amounting to Nu.1.023 million for the income years 1998 to 2003 in spite of reduction of the original assessed tax from Nu.77.809 million to Nu.1.023 million.

2.2 Outstanding taxes -Nu. 0.070 million

Corporate and Business Units under the jurisdiction of the RRCO, Samtse had outstanding CIT and BIT of Nu.1.315 million and Nu.1.336 million respectively for the income years 2003 and 2004. Out of total outstanding amount of Nu.2.651 million, a sum of Nu.2.581 million was recovered leaving a balance of Nu.0.070 million.

3. Shortfalls, lapses and deficiencies – Nu. 0.077 million

The Ministry had cases of shortfalls, lapses and deficiencies involving Nu.0.077 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|---|--------------|----------|-------------------------------------|
| 3.1 | Missing of revenue receipts | - | 1 | Pema Wangchen, Asstt. Commissioner |
| 3.2 | Inadmissible payment of residential telephone charges | 0.036 | 3.1 | Jambay Dorji, Regional Commissioner |
| 3.3 | Irregular payments | 0.041 | 4 | Tshering Dorji, Accountant |
| | Total | 0.077 | | |

The cases are explained hereunder:

3.1 *Missing Revenue Receipts*

The revenue receipts Nos. 1748294 and 1748357 were found missing on verifying the various revenue receipts under the RRCO, Paro. The Ministry is conducting an investigation on the missing revenue receipts.

3.2 *Inadmissible payment of residential telephone charges -Nu. 0.036 million*

The RRCO, Samdrup Jongkhar had paid the residential trunk call charges of the Regional Commissioner aggregating to Nu.0.036 million directly from the office without segregating the officials and private calls.

3.3 *Irregular payments- Nu. 0.041 million*

The RRCO Gelephu had remitted Nu.0.041 million from the LC account of the current year to make good the revenue remitted short in the previous financial year. No actions were taken on the above cases.

4. **Excess payment of Carriage Charge- Nu. 0.048 million**

The RRCO, Gelephu had paid carriage charges amounting to Nu.0.054 million beyond the admissible limit which was contrarary to the RCSC circular RCSC/S-4/00/8 dated 10/08/2000. Out Nu.0.054 million, a sum of Nu.0.006 million was recovered leaving a balance of Nu.0.048 million.

Who are accountable?

- a) Individuals concerned
- b) Tshewang Tashi, Regional Commissioner (supervisory)

6.4 **Ministry of Health**

The Royal Audit Authority during the year had issued eight inspection reports in respect of the Ministry of Health which included the Medical Supply Depot, Trashigang General Hospital, Regional Referral Hospital, Mongar and the Jigmi Dorji Wangchuck National Referral Hospital, Thimphu. The total unresolved significant irregularities of the Ministry amounted to Nu.0.251 million as summarized below.

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in Brief | Amount | Category Code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.014 | 1 & 2 |
| 2 | Mismanagement | 0.214 | 3 |
| 3 | Shortfalls, lapses and deficiencies | 0.023 | 5 |
| | Total | 0.251 | |

1. Misuse of cash refunds – Nu. 0.014 million (Para No.8)

Advances amounting to Nu.0.014 million refunded by Dorji Dakpa of Medical Supply Depot, Phuntsholing had not been accounted for in the books of account for which no action had been taken.

Who is accountable?

Chundu Dorji, Accountant

2. Loss of Government Revenue - Nu. 0.214 million (Para No.1.1)

Based on the instruction of the Phuentsholing City Corporation, the RWSS, Central Store, Phuentsholing had vacated the old PWD Quarters for new housing construction project. However, the new housing project was neither started nor the Government quarters dismantled by the Phuentsholing City Corporation resulting to loss of Government Revenue of Nu.0.214 million.

3. Non-levy of liquidated damages - Nu. 0.023 million (Para No. 6)

The Medical Supply Depot, Phuentsholing had not levied liquidated damages aggregating to Nu.0.023 million for delay in supply of wooden boxes by M/s. Ongdi Saw Mill, Thimphu as per the contract. No action had been taken for non-levy of liquidated damages.

Who is accountable?

Gyeltshen Wangdi, Procurement Officer

6.5 Ministry of Home & Cultural Affairs

The Royal Audit Authority during the year had issued three inspection reports in respect of the Ministry of Home & Cultural Affairs which included the Ministry, Department of Culture and National Museum, Paro. The total unresolved significant irregularities of the Ministry amounted to Nu.12.744 million as summarized below:

Table showing summary of observation with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category Code |
|---------|--|---------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.488 | 1 & 2 |
| 2 | Violation of Laws, Rules & Regulations | 0.025 | 4 |
| 3 | Shortfalls, lapses and deficiencies | 0.919 | 5 |
| 4 | Outstanding advances | 10.781 | 5 |
| 5 | Over payments in construction | 0.481 | 5 |
| 6 | Over payments to employees | 0.050 | 5 |
| | Total | 12.744 | |

1. Fraud, Corruption and Embezzlement – Nu. 0.488 million

The Ministry of Home & Cultural Affairs had cases strong indicators of fraud, corruption and embezzlement aggregating to Nu.0.488 million as summarized below:

Table showing summary of fraud, corruption and embezzlement (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|----------------------------|--------------|----------|---|
| 1.1 | Misrepresentation of facts | 0.207 | 2.1 | Thinley Jamtsho, Principal, RAPA |
| 1.2 | Non accountal of stocks | 0.231 | 3.1 | Gem Tshering, Conservator, and Darick Dorji, Accountant |
| 1.3 | Revenue not deposited | 0.050 | 1.1 | Dorji Wangchuk, Conservator |
| | Total | 0.488 | | |

The cases are explained hereunder:

1.1 *Misrepresentation of facts in procurement - Nu. 0.207 million*

The Department of Culture had paid Nu.0.207 million towards procurement of dance costumes and repair charges of old uniform. Review of the supporting documents indicated misrepresentation of facts and inconsistencies such as signature of the both buyer and seller was same and name of the firm indicated in the bills and cash memos varied. No action had been taken for the misrepresentation of facts and inconsistencies.

1.2 *Non-accountal of stocks - Nu. 0.231 million*

The National Museum, Paro had not accounted goods valuing Nu.0.231 million in the stock register for which no action had been taken.

1.3 Revenue not deposited - Nu. 0.050 million

It was found that revenue collection of National Museum for the month of October 2005 amounting to Nu.0.050 million shown as deposited was actually not deposited. Action on the non deposit of revenue was awaited.

2. Irregular application of leave rules - Nu. 0.025 million (Para No. 2.2)

Some officials and staff of the National Museum, Paro during the probation period were allowed encashment of leave amounting to Nu. 0.025 million which was not admissible as per the Civil Service Rules. Refunds of inadmissible payments had not been made.

Who is accountable?

Dorji Wangchuk, Conservator

3. Shortfalls, lapses and deficiencies – Nu. 0.919 million

The Ministry had cases of shortfalls, lapses and deficiencies aggregating to Nu.0.919 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--------------------------------|--------------|----------|---|
| 3.1 | Non-levy of liquidated damages | 0.895 | 1.9 | Thinley Jamtsho, Principal (supervisory), & Leki Wangchuk, Project Engineer |
| 3.2 | Wasteful expenditure | 0.024 | 6.2 | Phurba Dorji, Program Co-ordinator |
| | Total | 0.919 | | |

The cases are explained hereunder:

3.1 Non-levy of liquidated damages - Nu. 0.895 million

M/s. K.T Construction had delayed the completion of girl's dormitory construction by 171 days. As per the terms and conditions of the contract documents the liquidated damages amounting to Nu.0.895 million were not levied. Deposit of liquidated damages was awaited.

3.2 Wasteful expenditure - Nu. 0.024 million

The Royal Academy for Performing Arts under the Department of Culture had procured 300 Nos. CDs (Kongthang Nyenpai Lunang) from M/s. Phuensum Entertainment, Thimphu to present as souvenir to the visiting Chinese Delegation. However, the stock verification revealed that the entire CDs were not presented to the visiting delegations and lying unused. The same were not properly accounted for.

4. Unjustified accumulation of advances - Nu. 10.781 million

The Ministry had cases of accumulation of advances aggregating to Nu. 10.781 million as summarized below:

Table showing summary of outstanding advances (Nu. in million)

| Sl. No. | Agency | Amount | Para No. | Who are accountable? |
|---------|--|---------------|-----------|---|
| 1 | Secretariat, MoHCA | 8.412 | 1.1 | Individuals concerned, and Nob Tshering, Dy. Secretary, (supervisory), Ngawang Pem, Personnel Officer, (supervisory), Kinga Ongmo, Procurement officer, (supervisory), Tshering Dorji, FO (supervisory), |
| 2 | Royal Academy for Performing Arts (RAPA) | 2.369 | 5.1 & 5.2 | Thinley Jamtsho, Principal (supervisory) |
| | Total | 10.781 | | |

The cases are explained hereunder:

- Advances aggregating to Nu.11.274 million was lying unadjusted against the suppliers, government officials, dzongkhags, private parties and staff of the Ministry for long periods of time against which Nu.2.863 million had been reported as adjusted and recovered leaving a balance of Nu.8.412 million.
- The Royal Academy for Performing Arts (RAPA) had unadjusted advances of Nu.0.246 million on account of visa fees, freight charges and for many other miscellaneous purposes from the SBA account, out of which a sum of Nu.0.062 million were recovered and adjusted leaving a balance of Nu.0.184 million.

Further the RAPA had unadjusted advances of Nu.2.311 million from the LC accounts against which Nu.0.126 million were recovered and adjusted leaving a balance of Nu.2.185 million. Some advance pertained to as far back as 1999 remaining unadjusted. This revealed weakness in internal control system.

5. Over and excess payments in constructions – Nu. 0.481 million

The Ministry had cases of over and excess payments in constructions aggregating to Nu.0.481 million as summarized below:

Table showing summary of over payment to contractors (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|-----------------------------------|--------------|----------|--|
| 5.1 | Payment for items not provided | 0.165 | 1.3, 1.6 | Leki Wangchuk, and Phuchu Dukpa, Site Engineer |
| 5.2 | Payment for works not executed | 0.295 | 1.1, 1.2 | Phuchu Dukpa, Site Engineer |
| 5.3 | Excess refund of security deposit | 0.021 | 1.2 | Darrick Dorji, Accountant |
| | Total | 0.481 | | |

The cases are explained hereunder:

5.1 Excess payments to contractor – Nu. 0.165 million

The joint measurement and verification of records pertaining to the construction of the girls' hostel, RAPA and Archive Building of National Library revealed an excess payment amounting to Nu.0.165 million to the contractor. Excess payments included payments made for items not executed and items executed in excess of the actual quantities of work. No action had been taken for the excess payments.

5.2 Payment for works not executed - Nu. 0.295 million

Verification of quantity of work executed at site and contractor's bill revealed payment for works not executed amounting to Nu.0.166 million and inadmissible payment amounting to Nu.0.129 million due to difference in height of wall and column in the construction of Archive Building under the National Library. Action for the works not executed was awaited.

5.3 Excess refund of Security Deposit - Nu. 0.021 million

The National Museum had refunded Nu.0.021 million twice against the same security deposit resulting into the excess refund of security deposit. No action had been taken for the excess refund of security deposits.

6. Over and excess payment to employee – Nu. 0.050 million (Para No. 3.5)

The Department of Culture had paid full salary beyond 12 months to an official who had undertaken long-term studies on private scholarship resulting in excess payment of Nu.0.071 million which was in contravention to BCSR 2002. Out of Nu.0.071 million, a sum of Nu.0.021 million was recovered leaving a balance of Nu.0.050 million.

Who is accountable?

Tshering Uden Penjor, Curator

6.6 Ministry of Information & Communication

During the year the Royal Audit Authority had issued four Inspection Reports in respect of the Ministry of Information & Communications which included the Ministry, the Department of Civil Aviation, the Road Safety & Transport Authority, Gelephu and Samdrup Jongkhar. The total unresolved significant irregularities of the Ministry amounted to Nu. 1.498 million as summarized below:

Table showing summary of observation with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Mismanagement | 1.124 | 2 |
| 2 | Outstanding advances | 0.314 | 5 |
| 3 | Shortfalls, lapses and deficiencies | 0.060 | 5 |
| | Total | 1.498 | |

1. Non-realization of registration fee- Nu. 1.124 million (Para No. 2)

The Regional Office of the Road Safety & Transport Authority, Gelephu had outstanding vehicle registration fees aggregating to Nu.1.948 million lying against the various government agencies and private vehicle owners. Out of Nu.1.948 million, a sum of Nu.0.824 million were recovered leaving a balance of Nu. 1.124 million.

Who are accountable?

- a) Damber Thapa, Regional License Officer, and
- b) Bola Gyeltshen, RTO

2. Outstanding advances – Nu. 0.314 million (Para No. 1.1.1 & 1.3.1.1)

Advances aggregating to Nu.1.138 million were lying unadjusted against the officials, staff and the private parties in the Ministry against which Nu.0.856 million were liquidated leaving a balance of Nu.0.282 million.

Similarly, advances aggregating to Nu.0.032 million were lying unadjusted since 2003-2004 against the employees and suppliers in the Department of Civil Aviation, Paro. No actions were taken to liquidate the advances.

Who are accountable?

- a) Individuals concerned;
- b) Phala Dorji, Director (supervisory), and
- c) Dasho Tashi Phuntsho, Secretary, (supervisory)

3. Double payments - Nu. 0.060 million (Para No. 1.1.1.1)

Jigme Rinchen, Sr. Fire Officer of the Department of Civil Aviation attended the seminar on Airport Management and Operations in Dhaka, Bangladesh and was paid Nu.0.060 million towards DSA, air fare and other incidental expenses vide voucher No. 147 dated 30/6/05. However, he was again paid Nu.0.060 million vide voucher No. 170 of 30/5/05 towards DSA and Air fare for the same trip resulting to double payment of Nu.0.060 million. No action had been taken to recover the double payments.

Who are accountable?

- a) Purna Bahadur Chhetri, Accountant, and
- b) Phala Dorji, Director (supervisory)

6.7 Ministry of Labour & Human Resources

The Royal Audit Authority during the year issued eight Inspection Reports in respect of the Ministry of Labour and Human Resources. The total unresolved significant irregularities of the Ministry amounted to Nu. 15.413 million as summarized below.

Table showing summary of observation with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category Code |
|---------|--|---------------|---------------|
| 1 | Violation of Laws, Rules & Regulations | 1.549 | 4 |
| 2 | Shortfalls, lapses and deficiencies | 0.078 | 5 |
| 3 | Outstanding advances | 13.459 | 5 |
| 4 | Over and excess payments | 0.327 | 5 |
| | Total | 15.413 | |

1. Improper feasibility studies -Nu. 1.549 million (Para No. 4.1)

The flash flood of August 2004 at Buna, Trashigang had washed away almost all the on-going structures of the Vocational Training Institute valuing Nu.5.952 million. This was mainly attributed by the improper feasibility studies carried out for the construction of massive structures. A team of Civil Engineers from Royal Bhutan Polytechnic carried out only the Plate Load Test for the buildings and not the detailed feasibility studies. Beside there were various adverse reports on Geo-tech, Soil test and Hydrology for which the Ministry had ignored and had relocated the construction of the Vocational Training Institute, Buna in the same place.

Who are accountable?

- a) Karma Dhendup, Project Engineer, and
- b) Karma Thinley, Construction Manager

2. Non-deduction of TDS - Nu. 0.078 million (Para No. 1 & 11.2)

The National Institute for Zorig Chusum (NIZC) had not deducted TDS aggregating to Nu.0.078 million from the suppliers.

Who are accountable?

- a) Jamtsho, Accountant, and
- b) Sangay Phuntsho, Sezo Instructor.

3. Outstanding advances – Nu. 13.459 million

The Ministry had unresolved cases of advances aggregating to Nu.13.459 million as summarized below:

Table showing cases of outstanding advances (Nu. in million)

| Sl. No. | Agency | Amount | Para No. | Who are accountable? |
|---------|-------------------------------------|---------------|----------|--|
| 3 (a) | Project Implementation Unit | 9.279 | 5.7.1. | Tshering Tobgay, Project Director, Phuntsho Wangmo, Project Manager. (supervisory) |
| 3 (b) | National Institute for Zorig Chusum | 4.180 | 2 & 14 | Jamtsho, Accountant, Sangay Phuntsho, and Jigme Cholen Yoezer, Principal (supervisory) |
| | Total | 13.459 | | |

The cases are explained hereunder:

- a) Advances aggregating to Nu.23.757 million were lying unadjusted in the Project Implementation Unit under MoLHR against various employees, suppliers and contractors. Out of Nu.23.757 million, a sum of Nu.14.478 million was adjusted/recovered leaving a balance of Nu.9.279 million. Most of the advances pertain to the constructions of VTI, Buna which was suspended for about a year after the flash flood in August 2004. Now the constructions have been completed and recoveries of advances are awaited from the running bills.
- b) The National Institute for Zorig Chusum (NIZC) had advances of Nu.1.375 million lying unadjusted against the employees, suppliers and contractors and Nu.0.203 million not accounted for in the books of account. Further, advances amounting to Nu.2.602 were lying unadjusted from the SDA account against employees, suppliers and contractors.

4. Over and Excess payment to contractor - Nu. 0.327 million (Para No. 04)

An excess payment of Nu.0.327 million was made to the contractor for the construction of VTI, Buna mainly due to payments made for items of works not executed.

Who are accountable?

- a) Karma Dhendup, Project Engineer, and
- b) Karma Thinley, Construction Manager

6.8 Ministry of Trade & Industry

The Royal Audit Authority during the year had issued three inspection reports in respect of the Ministry of Trade and Industry which included the Secretariat MTI, Department of Tourism and the RTIO, Phuentsholing. The total unresolved significant irregularities of the Ministry amounted to Nu.0.754 million as summarized below:

Table showing summary of observation with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category Code |
|---------|--|--------------|---------------|
| 1 | Violation of Laws, Rules and Regulations | 0.120 | 4 |
| 2 | Shortfalls, lapses and deficiencies | 0.634 | 5 |
| | Total | 0.754 | |

1. Wrong classification of expenditure- Nu.0.120 million (Para No. 5.2)

Capital expenditure of Nu.0.120 million on the Plant & equipment – Telecommunications, PABX system was wrongly booked in the current expenditure - Utility Telephone. Booking of capital expenditure under current expenditure was a gross violation of Budgetary and Financial Accounting norms.

Who is accountable?

Dorji Tshering, DCFO

2. Outstanding advances – Nu. 0.634 million

The Ministry had unresolved cases of advances amounting to Nu.0.634 million as summarized below:

Table showing summary of outstanding advances (Nu. in million)

| Sl. No. | Agency | Amount | Para No. | Who are accountable? |
|---------|--------------------------|--------------|----------|---|
| 2 (a) | Secretariat, MTI | 0.021 | 3 | Individuals concerned, and Tenzin Wangda, AFO (supervisory) |
| 2 (b) | Department of Tourism | 0.613 | 1.2 | Tshewang Loday, Accountant, (supervisory) Karma Wangdi, Sr. Foreign Exchange Officer (supervisory) |
| | Total | 0.634 | | |

The cases are explained hereunder:

- a) Advances aggregating to Nu.0.175 million were lying outstanding against officials, staffs and other parties of the Secretariat, MTI out of which Nu.0.154 million were liquidated subsequently leaving a balance of Nu.0.021 million.
- b) Against the total outstanding advances of Nu.2.493 million against various tour operators in the Department of Tourism, a sum of Nu.1.880 million were liquidated leaving a balance of Nu.0.613 million.

6.9 Ministry of Works & Human Settlement

The Royal Audit Authority during the year had issued fifteen Inspection Reports of agencies under the Ministry of Works & Human Settlements. The total unresolved significant irregularities of the Ministry amounted to Nu.1.967 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|--|--------------|---------------|
| 1 | Mismanagement | 0.443 | 3 |
| 2 | Violation of Laws, Rules & Regulations | 0.588 | 4 |
| 3 | Outstanding advances | 0.062 | 5 |
| 4 | Excess payment to contractors | 0.788 | 5 |
| 5 | Excess payments to employees | 0.086 | 5 |
| | Total | 1.967 | |

1. Non-collection of house rent – Nu. 0.443 million (Para No. 1.1.1.1)

The Thrompon, Phuentsholing City Corporation had notified for the proposed demolition of old semi-permanent buildings around the PWD Housing Colony. There were still some quarters that were not demolished but occupied by the staff of the Field Division, Department of Roads,

Phuentsholing without paying rental charges aggregating to Nu.0.443 million. No action had been taken on non-payment of rent.

Who are accountable?

- a) Pema Lhaden, Junior Engineer, and
- b) Tsheten Dorji, Executive Engineer

2. Violation of Laws, Rules & Regulations– Nu.0.588 million

The Ministry had cases of violations of laws, rules and regulations involving Nu.0.588 million as summarized below:

Table showing summary of violation of Laws, Rules & Regulations (Nu. million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--------------------------------------|--------------|-----------------------|---|
| 2.1 | Procurement in excess of requirement | 0.517 | 1 (c) | Tshewang Phuntsho, Regional Manager, Sonam Dorji, Joint Director |
| 2.2 | Non-levy of liquidated damages | 0.034 | 1 (d) i & ii, 5.1.2.2 | Tandin Wangyel, Astd. Engineer, Sonam Dorji, Joint Director, Sonam Tashi, Junior Engineer, R.S. Ram, Dy.E.E |
| 2.3 | Irregular payment | 0.037 | 5(b) | Phuntsho Wangdi, Director |
| | Total | 0.588 | | |

2.1 Procurement in excess of requirement – Nu. 0.517 million

The Eastern Regional Workshop, Lingmethang had procured CGS 680 welding rods without assessing its actual requirements and without routing the requisitions through the Mechanical Division, HQ as required. This had resulted into procurement of CGS welding rods worth Nu.0.517 million in excess of requirements.

2.2 Non levy of liquidated damages to the suppliers - Nu. 0.034 million

The Mechanical Division had not levied liquidated damages of Nu.0.034 million to M/s. Caterpillar S.A.R.L Singapore Branch, 14 Tractor Road, Singapore for the delay in supply of caterpillar spare parts by one month.

2.3 Irregular payment – Nu. 0.037 million

The Mechanical Division had reimbursed registration fee of USD 850.00 equivalent to Nu.0.037 million to the participant of the 15th World Meeting, International Road Federation (IRF) held in Bangkok which were not supported by relevant document. Action taken for payment without the supporting documents was awaited.

3. Outstanding advances – Nu. 0.062 million (Para No. 2.2.1)

The City Corporation, Phuntsholing had advances amounting to Nu.0.081 million lying outstanding against various officials against which Nu.0.019 million was deposited leaving a balance of Nu.0.062 million.

Who is accountable?

R.S Tamang, Dy. Director (supervisory)

4. Over and excess payments to contractors – Nu. 0.788 million

The Ministry had cases of over and excess payments aggregating to Nu. 0.788 million as summarized below:

Table showing summary of over and excess payments (Nu. million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--|--------------|----------------|--|
| 4.1 | Excess payments in constructions | 0.673 | 1.1.1.2 | Sonam Dhendup, Sub-overseer, Karchung Dukpa, Sub-overseer, Karsang Norbu, JE, (<i>supervisory</i>) and Yeshe Wangdi, JE (<i>supervisory</i>) |
| 4.2 | Inadmissible and irregular payment in construction | 0.115 | 2.2.2.1, 5 (a) | Rinchen Pelzang, AE, Tshewang Rinzin, AE, Hari Sharma, AE, Tsheten Dorji, Executive Engineer, Karma Rinzin, Project Manager, Jangchuk Tenzin, EE, Field Division, & Sonam Dorji, Joint Director, |
| | Total | 0.788 | | |

4.1 Excess payment in constructions – Nu. 0.673 million

The Corporation had also made an excess payment of Nu.0.923 million to a contractor for laying 4” GI pipe line from Kuengacholling to Changedaphu. The contractor was paid for more than the actual quantity of work done at the site. Out of Nu.0.923 million, a sum of Nu.0.250 million was deposited leaving a balance of Nu.0.673 million.

4.2 Inadmissible and irregular payments – Nu. 0.115 million

- a) In terms of the Bhutan Specification for Road works, the item work viz. premix carpeting involving Bitumen Emulsion and Bitumen 80/100 encompasses surface preparation and cleaning works prior to application of the above items. However, the Field Division, Phuentsholing had made excess payment of Nu.0.041 million by treating brooming work as a separate item of work.
- b) The Mechanical Division had paid hire charges for the deployment of vehicle & machineries on government holidays and Sundays

aggregating to Nu.0.074 million in contravention to the terms & conditions of the hire agreement.

5. Excess payments to employees – Nu. 0.086 million (Para No. 1.1)

The Field Road Maintenance Division, Sarpang incurred an expenditure of Nu.0.346 million on account of TA/DA and Muster Roll payments as evident from the advance and adjustment details submitted by the Department of Geology and Mines, Thimphu. However, DA at full rates was paid for continuous halts beyond 30 days resulting to excess payments of Nu.0.086 million which was not admissible.

Who are accountable?

- a) Dorji Wangdi, EE, and
- b) A.K Pankajan, Accountant

DZONGKHAG ADMINISTRATION

6.10 Dzongkhag Administration, Bumthang

During the period, the Royal Audit Authority had issued one inspection report in respect of the Dzongkhag Administration, Bumthang. The total unresolved significant irregularities amounted to Nu.5.924 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.015 | 1 & 2 |
| 2 | Shortfalls, lapses and deficiencies | 5.909 | 5 |
| | Total | 5.924 | |

1. Fraud, Corruption and Embezzlement --Nu. 0.015 million

Revenue of Nu.0.020 million collected on account of renewal fee of ID card & fines etc. were not deposited into revenue account. At the instance of the audit, Nu.0.005 million were subsequently deposited leaving a balance of Nu.0.015 million. No action has been taken for the misuse of revenue.

Who is accountable?

Namgay Dukpa, Registration Officer

2. Shortfalls, lapses and deficiencies – Nu.5.909 million

The Dzongkhag Administration had cases of shortfalls, lapses and deficiencies involving Nu.5.909 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|-----------------------------|--------------|----------|--|
| 2.1 | Non-realization of advances | 5.878 | 1.43 | Dechen Lhendup, FO & Subash Biswa, DCA (supervisory) |
| 2.2 | Irregular payment | 0.031 | 1.2 | Concerned individuals, & Sangay Wangchuk, Dzongrab (supervisory) |
| | Total | 5.909 | | |

The cases are explained hereunder:

2.1 Non-realization of advances -Nu. 5.878 million

Advances amounting to Nu.6.453 million were lying outstanding against various individuals, contractors and other parties against which a sum of Nu.0.575 million were liquidated leaving a balance of Nu.5.878 million.

2.2 Irregular payment - Nu. 0.031 million

TA/DA claims aggregating to Nu.0.046 million were paid to officials who had actually not performed the tour. Out of Nu.0.046 million, a sum of Nu.0.015 million was deposited leaving a balance of Nu.0.031 million.

6.11 Dzongkhag Administration, Chhukha

During the period, the Royal Audit Authority had issued one inspection report in respect of the Dzongkhag Administration, Chhukha. The total unresolved significant irregularities amounted to Nu.1.588 million as summarized below:

Table showing observations with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.097 | 1 & 2 |
| 2 | Shortfalls, lapses and deficiencies | 1.491 | 5 |
| | Total | 1.588 | |

1. Fraud, Corruption and Embezzlement – Nu. 0.097 million

The Dzongkhag had cases of strong indicators of fraud, corruption and embezzlement aggregating to Nu.0.097 million as summarized below:

Table showing summary of fraud, corruption and embezzlement (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--------------------------------|--------------|----------|---|
| 1.1 | Misrepresentation of facts | 0.040 | 1.2 | D.C. Dhimal, EE, and Phurba Gyeltshen, Store Asstt. |
| 1.2 | Submission of fake bills | 0.032 | 1.3 | Sonam Chewang, Accounts Asstt-I |
| 1.3 | Payments for work not executed | 0.025 | 2.1 | Tshewang Tenzin, Engineer, and D.C. Dhimal, EE, |
| | Total | 0.097 | | |

The cases are explained hereunder:

1.1 Misrepresentation of facts -Nu. 0.040 million.

Expenditure of Nu.0.040 million was booked fraudulently without actually procuring the items. The amount was subsequently deposited into Audit Recoveries Account and the officials were warned by the Dzongkhag for misrepresentation of facts.

1.2 Submission of fake bills -Nu. 0.032 million.

Adjustment accounts submitted by the Dungkhag Administration, Phuentsholing against the advances included cash memos and bills which did not pertain either to the Dungkhag or to the period expenditure was incurred. The addresses in the bills and cash memos were found changed by over writing. While the amount was subsequently deposited into Audit Recoveries Account, no action has been taken for the submission of fake bills.

1.3 Payment for the work not executed -Nu. 0.025 million

In the renovation of 10 unit Dungkhag staff quarters payment amounting to Nu.0.025 million were made to the contractor for items of work which were not executed. While the amount was subsequently deposited into Audit Recoveries Account, appropriate action on the payments for works not executed had not been taken.

2. Shortfalls, lapses and deficiencies – Nu. 1.491million

The Dzongkhag Administration had cases of shortfalls, lapses and deficiencies involving Nu.1.491 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|-----------------------------|--------------|----------|---|
| 2.1 | Over payments | 0.076 | 2.2, 2.4 | Tshewang Tenzin, Engineer, D.C Dhimal, EE, |
| 2.2 | Inadmissible payments | 0.087 | 1.1 | Individual concerned, B.K Manger, Sr. Adm. Officer, and Ugyen Tshewang, SAO |
| 2.3 | Grant of excessive advances | 1.328 | 5.1 | Individual concerned, and Ugyen Tshewang, SAO (supervisory) |
| | Total | 1.491 | | |

The cases are explained hereunder:

2.1 *Over payment in the constructions -Nu.0.076 million*

- a) In the construction of Gup office at Chapcha the contractor was paid extra amount of Nu.0.050 million either by deferring the actual measurement or by paying twice for some of the items of work.
- b) The site verification of the Chapcha Gup Office revealed that the contractor was paid an excess amount of Nu.0.026 million by paying for more quantities than the quantities actually executed in respect of the retaining and breast wall.

2.2 *Inadmissible payment -Nu. 0.087 million*

TA/DA claims aggregating to Nu.0.248 million were paid to staff who had not actually performed the tour, out of which Nu.0.161 million were recovered leaving a balance of Nu.0.087 million.

2.3 *Non-adjustment of advances -Nu. 1.328 million*

Advances amounting to Nu.2.069 million were lying unadjusted against officials, suppliers and other parties against which Nu.0.741million were recovered leaving a balance of Nu.1.328 million.

6.12 Dzongkhag Administration, Dagana

During the period, the Royal Audit Authority had issued one inspection report in respect of the Dzongkhag Administration, Dagana and total unresolved significant irregularities amounted to Nu.4.004 million as summarized below:

Table showing observations with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 4.004 | 5 |
| | Total | 4.004 | |

1. Shortfalls, lapses and deficiencies - Nu. 4.004 million

The Dzongkhag Administration had cases of shortfalls, lapses and deficiencies involving Nu.4.004 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--|--------------|-----------|--|
| 1.1 | Excess payments | 2.237 | 1.2 & 2.2 | J. N. Pradhan, DE, Lobzang Dawa, J.E. Tsechu, FO, Sherab Dorji, Accountant, and Goling Tshering, Dzongda (supervisory) |
| 1.2 | Non-adjustment of advances | 0.321 | 2.15 | Tashi Gyeltshen, Admn. Officer and Tshechu, Finance Officer (supervisory) |
| 1.3 | Non-levy of liquidated damages | 0.370 | 1.3 | Lobzang Dawa, J.E. and J. N. Pradhan, DE, (supervisory) |
| 1.4 | Non-enforcement of contract terms and conditions | 1.046 | 1.4 | Lobzang Dawa, J.E. and J. N. Pradhan, DE (supervisory) |
| 1.5 | Short accountal | 0.030 | 3.1 | Tashi Gyeltshen, Adm. Officer, and Shyam Kr. Ghalley, Store-in-charge |
| | Total | 4.004 | | |

The cases are explained hereunder:

1.1 Excess payments – Nu. 2.237 million

- a) The payment for road formation width cutting was made beyond standard width of 4.60 meters resulting in excess payment of Nu.2.202 million.
- b) Dzongkhag Folk Dancers were paid DSA @ Nu.150.00 per day instead of Nu.100.00 per day resulting in excess payment of Nu. 0.051 million out of which Nu.0.016 million was deposited leaving a balance of Nu.0.035 million.

No action has been taken for the excess payments.

1.2 Irregularities in advance - Nu.0.321 million

Advances aggregating to Nu.3.428 million were lying outstanding against the official, staff, contractors, suppliers and others. Out of Nu.3.428 million, a sum of Nu.3.107 million was liquidated leaving a balance of Nu. 0.321 million.

1.3 Non-levy of liquidated damages – Nu. 0.370 million

The Dzongkhag had not levied liquidated damages of Nu.0.370 million for the delay in completion of the Babeythang-Tsangkha farm road by 127 days.

1.4 Non-enforcement of contract terms and conditions – Nu. 1.046 million

As per terms and conditions of the contract agreement, the contractor had not completed the Babeythang-Tsangkha farm road within the schedule time. Comparison of work done and the BOQ noted that few items of works valuing Nu.1.046 million were not executed although the contractor had submitted the completion report on 11/01/06.

1.5 Short account of HSD oil - Nu. 0.030 million

The HSD oil stock balance valuing Nu.0.030 million was found short on physical verification. No action has been taken for the shortages of HSD oil.

6.13 Dzongkhag Administration, Gasa

During the period, the Royal Audit Authority had issued two inspection reports in respect of the Dzongkhag Administration, Gasa which included the Dzongkhag and Gasa Lower Secondary School. The total unresolved significant irregularities amounted to Nu.1.473 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|--|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.938 | 1 & 2 |
| 2 | Violation of Laws, Rules and Regulations | 0.034 | 4 |
| 3 | Shortfalls, lapses and deficiencies | 0.501 | 5 |
| | Total | 1.473 | |

1. Fraud, Corruption & Embezzlement – Nu. 0.938 million

The Dzongkhag Administration had cases of strong indicators of fraud, corruption & embezzlement aggregating to Nu.0.938 million as summarized below:

Table showing summary of fraud, corruption & embezzlement (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--------------------------------|--------------|---------------|---|
| 1.1 | Fictitious expenditure | 0.014 | 1.10.1 & 1.14 | Dr. Chenga Tshering, DLO, & Sangay Dawa, Dzongkha Focal Person |
| 1.2 | Payment for works not executed | 0.042 | 4.4, 4.6 | Moni Kumar Rizal, JE Lungten Thinley, DE, and Sangay Dawa, Adm. Officer |
| 1.3 | Misuse of Revenue | 0.122 | 3.2 | Sampa, Revenue Assistant |
| 1.4 | Misuse of properties | 0.391 | 2.2 | Tshewang Penjor, Store Keeper & Karma Chozang, Store Keeper, |
| 1.5 | Misuse of office supplies | 0.369 | 2.1 | Tshewang Penjor, Store Keeper |
| | Total | 0.938 | | |

The cases are explained hereunder:

1.1 Fictitious expenditure – Nu. 0.014 million

Nu 0.021 million paid for the purchases of poultry feeds for distribution to the farmers and conducting poultry backyard demonstration were not actually distributed to the farmers. Similarly, fictitious accounts for Nu. 0.014 million was submitted by Sangay Dawa, Dzongkha Focal Person without actually conducting the Dzongkha development activities in the schools and NFE centers.

Out of Nu.0.035 million, a sum of Nu.0.021 million was deposited into Audit Recoveries Account (ARA) leaving a balance of Nu.0.014 million. No action has been taken for the fictitious expenditure.

1.2 Payments for works not executed – Nu. 0.042 million

The contractor was paid Nu.0.022 million for items of works actually not executed in the renovation work of guest house. Similarly, Nu.0.020 million was paid for works which were actually not carried out in the re-roofing of boys' hostel at Gasa Lower Secondary School. Appropriate action for the payments made for works not executed was awaited.

1.3 Misuse of Revenue - Nu. 0.122 million

Revenue collections of Nu.0.122 million for the period from 30/07/03 to 20/03/06 was found not deposited into the Royal Government Revenue Account (RGR) but the amount was misused by the Revenue In-Charge. No action has been taken for the misuse of revenue.

1.4 Misuse of properties - Nu. 0.391 million

Batteries & panels worth Nu.0.391 million issued from Tashithang store to Gasa store were not accounted for in the Dzongkhag stock register. Appropriate action for the misuse of property was awaited.

1.5 Shortage of office supplies - Nu. 0.369 million

The closing stock balance of last fiscal year was not carried forward to the subsequent ledger. During joint physical verification of store on 20/04/06, stationery and office supplies worth Nu.0.369 million were found short for which appropriate action was awaited.

2. Inadmissible payments - Nu. 0.034 million (Para No.1.3)

Some officials and staff during probation were paid LTC and allowed to encash leave which were not admissible as per the Civil Service Rules. Out of Nu.0.067 million, a sum of Nu.0.033 million was deposited into Audit Recoveries Account (ARA) leaving a balance of Nu.0.034 million.

Who are accountable?

- a) Jampel Tshering, ALEO;
- b) Sonam Thinley, ADZFO;
- c) Sangay Dorji, HA, Laya;
- d) Lobzang Choeda, HA, and
- e) Leki Dorji, ALEO.

3. Shortfalls, lapses and deficiencies – Nu. 0.501 million

The Dzongkhag Administration had cases of shortfalls, lapses and deficiencies involving Nu.0.501 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|---------------------------------------|--------------|---------------------------|--|
| 3.1 | Inadmissible payments of TA/DA | 0.030 | 1.6 | Sangay Dawa, HRO/Administrative Officer |
| 3.2 | Excess payment | 0.137 | 1.11, 1.13, & 4.2.3 | Phub Tshering, Sr. Accountant, & Tshewang Penjor, Store Asst., Tenzin Chhogyel, DzFO, Tandin Dorji, AE |
| 3.3 | Non-deduction of house rents | 0.168 | 3.1 | Chencho Tshering, Dzongdag (supervisory) |
| 3.4 | Non-adjustment of advances | 0.069 | 1.15 | Chencho Tshering, Dzongdag (supervisory) |
| 3.5 | Non-levy of liquidated damages | 0.052 | 4.2.1 | Lungten Thinley, DE (supervisory) |
| 3.6 | Non reconciliation of lottery account | 0.045 | 1.12.1 | Pema Ngawang, Treasurer |
| | Total | 0.501 | | |

The cases are explained hereunder:

3.1 Inadmissible payments - Nu. 0.030 million

The Dzongkhag Administration had paid DSA at full rates instead of half of the normal rates in respect of journey involving total durations of less than 12 hours. Out of Nu.0.046 million, a sum of Nu.0.016 million was recovered leaving a balance of Nu.0.030 million.

3.2 Excess payment -Nu. 0.137 million

Suppliers were paid at rates above the quoted rates resulting in excess payments of Nu.0.043 million. Similarly, the Dzongkhag had not complied to the Norms and Standards for Nursery and Plantation, 2004 prescribed by the Ministry of Agriculture for the maintenance of community forest and creation of Dzongkhag Nursery, resulting in excess payment of Nu. 0.035 million. Further, excess payment of Nu.0.059 million was made to the contractor for the construction of Veterinary Hospital at Jasidingkha due to excess measurements of the items of works. No action has been taken for the excess payments.

3.3 Non-deduction of house rents -Nu. 0.168 million

The Dzongkhag Administration had not deducted the house rents from the occupants of the government quarters for the period from 01/07/2003 to 30/06/2004 aggregating to Nu.0.168 million.

3.4 Non-adjustment of advances - Nu. 0.069 million

Advances amounting to Nu.0.069 million including overdue advances of 0.054 million were lying unadjusted against the officials of the Dzongkhag Administration.

3.5 Non-levy of liquidated damages - Nu.0.052 million

Against the stipulated deadline of 20th September 2004, the construction of veterinary hospital was completed and handed over only on 18th November 2004 thereby delaying by 59 days against which liquidated damages amounting to Nu.0.052 million was not levied.

3.6 Non reconciliation of lottery account -Nu. 0.045 million

The sales proceeds or the value of tickets amounting to Nu.0.045 million was accounted short. No action has been taken for the short accountal.

6.14 Dzongkhag Administration, Lhuentse

During the period, the Royal Audit Authority had issued one inspection report in respect of the Dzongkhag Administration, Lhuentse and total unresolved significant irregularities amounted to Nu.0.745 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|--|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.028 | 1 & 2 |
| 2 | Violation of Laws, Rules & Regulations | 0.530 | 4 |
| 3 | Shortfalls, lapses and deficiencies | 0.187 | 5 |
| | Total | 0.745 | |

1. Payment for works not executed - Nu. 0.028 million (Para No.5.1)

Payment of Nu.0.158 million for item of work 'Sand bedding under pipeline' was made to the contractor in the construction of New Water Supply Scheme which was actually not executed. Out of Nu.0.158 million, a sum of Nu.0.130 million was recovered leaving a balance of Nu.0.028 million.

Who are accountable?

- a) Omnath Giri, DE, and
- b) Tashi Chhophel, AE

2. Inadmissible payment - Nu. 0.530 million (Para 1.2)

45% increase of pay aggregating to Nu.0.530 million were paid to Elementary Service Personnel who were not admissible. Recovery was awaited.

Who are accountable?

- a) Phuntsho Wangdi, AFO;
- b) Namgay Dukpa, Sr. Accountant;
- c) Sherab Gyeltshen, Accountant, and
- d) Sonam Dhendup, DCA

3. Shortfalls, lapses and deficiencies – Nu. 0.187 million

The Dzongkhag Administration had cases of shortfalls, lapses and deficiencies involving Nu.0.187 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--|--------------|----------|---|
| 3.1 | Non-adjustment of advances | 0.106 | 4.1 | Sonamla, Dzongrab & Phuntsho Wangdi, AFO (supervisory) |
| 3.3 | Excess payment of WFP carriage charges | 0.081 | 1.6 | Phuntsho Wangdi, AFO, Sherab Gyeltshen, Accountant, & Kinley Gyeltshen, DEO (supervisory) |
| | Total | 0.187 | | |

The cases are explained hereunder:

3.1 *Non-adjustment of advances - Nu. 0.106 million*

Advances amounting to Nu.1.142 million were lying outstanding against the suppliers, contractors and employees. Of Nu.1.142 million, a sum of Nu.1.036 million was deposited leaving a balance of Nu.0.106 million. The Dzongkhag informed that concerted efforts are being made to realize the outstanding advances.

3.3 *Excess payment - Nu. 0.081 million*

A sum of Nu.0.536 million booked as transportation charges of WFP commodities to Dungkhar Community Primary School were found booked excess by Nu.0.081 million. Appropriate action for the excess payment is awaited.

6.15 Dzongkhag Administration, Mongar

During the period, the Royal Audit Authority had issued one inspection report in respect of the Dzongkhag Administration, Mongar and total unresolved significant irregularities amounted to Nu.1.590 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.167 | 1 & 2 |
| 2 | Shortfalls, lapses and deficiencies | 1.423 | 5 |
| | Total | 1.590 | |

1. **Misuse of revenue – Nu. 0.167 million (Para No.4.4)**

A sum of Nu.0.167 million collected on account of rental charges of Dharamsala was found not deposited into the Royal Government Revenue Account. No action has been taken for the misuse of revenue.

Who is accountable?

Tashi Norbu Sherpa, AE

2. Shortfalls, lapses & deficiencies - Nu.1.423 million

The Dzongkhag Administration had cases of shortfalls, lapses and deficiencies involving Nu.1.423 million as summarized below:

Table showing summary of shortfalls, lapses & deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|----------------------------------|--------------|----------|---|
| 2.1 | Payment without supporting bills | 0.150 | 1.6 | Lok Nath Dahal, F.O |
| 2.2 | Non-adjustment of advances | 1.273 | 4.1 | Lok Nath Dahal, F.O Tappo, Dzongrab (supervisory) |
| | Total | 1.423 | | |

The cases are explained hereunder:

2.1 Payment without supporting bills- Nu.0.150 million

Nu.0.150 million was booked as final expenditure and paid to Dzongrab Tappo, for renovation of Yarab Lhakhang and Ajaal Lhakhang. The renovation was not completed for which no explanations were forthcoming.

2.2 Non-adjustment of advances - Nu. 1.273 million

Nu. 2.359 million were lying outstanding on account of personal advances, PWA, employee advances, suppliers and contractor's advances. Against the outstanding advances a sum of Nu.1.086 million were liquidated leaving a balance of Nu.1.273 million. The Dzongkhag intimated that most of the overdue advances pertained to previous years and not able to trace the accountable person and was being pursued with the Ministry of Finance.

6.16 Dzongkhag Administration, Paro

During the year, the Royal Audit Authority had issued one inspection report pertaining to the Dzongkhag Administration, Paro and total unresolved significant irregularities amounted to Nu.2.416 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.131 | 1 & 2 |
| 2 | Shortfalls, lapses and deficiencies | 2.285 | 5 |
| | Total | 2.416 | |

1. Fraud, Corruption & Embezzlement – Nu.0.131 million

The Dzongkhag had cases of strong indicators of fraud, corruption & embezzlement aggregating to Nu.0.131 million as summarized below:

Table showing summary of fraud, corruption & embezzlement (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|------------------------------|--------------|----------|--|
| 1.1 | Shortages of materials | 0.070 | 2.8 | Yeshi Jamtsho, JE, and Pema Wangdi, JE |
| 1.2 | Non-deposit of sale proceeds | 0.061 | 2.9 | Yeshi Jamtsho, JE, and Pema Wangdi, JE |
| | Total | 0.131 | | |

1.1 Shortage of waste collection dust bin -Nu.0.070 million

The Department of Urban Development and Engineering Services, Thimphu had supplied 365 numbers of waste dustbins against which 93 dustbins worth Nu.0.070 million were found short during verification. No action had been taken for the shortages.

1.2 Non-deposit of sale proceeds -Nu. 0.061 million

Sale proceeds of dustbins amounting to Nu.0.061 million were deposited in the Dzongkhag Revenue Account at the instance of the audit only. Appropriate action for the misuse of sale proceeds was awaited.

2. Shortfalls, lapses and deficiencies – Nu. 2.285 million

The Dzongkhag had cases of shortfalls, lapses and deficiencies involving Nu.2.285 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|------------------------------|--------|---|--|
| 2.1 | Over payments to contractors | 0.662 | 1.1,1.2,1.4, 1.5,1.6,1.7, 1.8,1.9, 1.10 | D.B. Giri, AE, Tashi Gyeltshen, JE, Kinzang, DE, (supervisory), Tshomo, JE, Kinzang Dorji, AE, and Chane Zangmo, Dy. EE, (supervisory) |
| 2.2 | Non-realisation of fees | 0.538 | 2.2 | Tshering Yonten, AE, Nado Regay, AE |

| | | | | |
|-----|---------------------------------|--------------|-----|---|
| 2.3 | Accumulation of advances | 0.782 | 3.1 | Kesang Tshomo, HRO, J.L. Subba, SFO, and Namgyel Rinchen, Dzongrab (supervisory) |
| 2.4 | Non-payment of taxes | 0.090 | 2.6 | Nado Regay, AE |
| 2.5 | Outstanding land taxes | 0.143 | 2.5 | Nado Regay, AE |
| 2.6 | Non-realization of transfer tax | 0.070 | 2.7 | Nado Regay, AE |
| | Total | 2.285 | | |

2.1 Over payments in the constructions – Nu.0.662 million

In the construction of science laboratory, head teacher's quarter, classrooms, approach road etc. Nu.0.763 million was overpaid on account of works not executed, double payments, inadmissible payments and payments for items provided other than specified. Out of Nu.0.763 million, a sum of Nu.0.101 million was recovered leaving a balance of Nu.0.662 million.

2.2 Non-realization of fees -Nu. 0.538 million

The land development and demarcation fees aggregating to Nu.0.538 million were not realized by the Municipal Corporation from the plot owners for land allotted since 2001. The recovery of fees was awaited.

2.3 Unjustified accumulations of advances – Nu.0.782 million

Advances amounting to Nu.0.782 million were lying outstanding from the staff, contractors, suppliers, private parities and other agencies.

2.4 Non-payment of taxes -Nu.0.090 million

Four plot owners had not cleared their excess land tax amounting to Nu.0.120 million in spite of the repeated reminders served by the Municipal Authority. At the instance of the audit, a sum of Nu.0.030 million was deposited leaving a balance of Nu.0.090 million.

2.5 Outstanding land taxes -Nu.0.143 million

Land taxes aggregating Nu.0.145 million were lying against various plot owners for the period 2002- 2005. Out of Nu.0.145 million, a sum of Nu. 0.002 million was recovered leaving a balance of Nu.0.143 million.

2.6 Non-realization of transfer tax- Nu. 0.070 million

5% land ownership transfer tax aggregating to Nu.0.070 million was not realized as summarized below:

| Sl. No. | Name of the land Owner | Plot No. | Land sold to | Cost of the land (Nu) | 5% (Nu.) | Approval letter No. & date |
|--------------|------------------------|----------|----------------|-----------------------|------------------|----------------------------------|
| 1 | Nakchu Tshering | C-36 | Mindu Tshering | 400,000.00 | 20,000.00 | 4 th MCM dt. 10/02/04 |
| 2 | Jow Tshering | C-63 | Kunga Tshering | 100,000.00 | 5,000.00 | 5 th MCM dt. 29/04/04 |
| 3 | Tobgay | C-73 | Tendu Tshering | 500,000.00 | 25,000.00 | Dt.17/05/05 |
| 4 | Lt. Dago/Lham | C-30 | Ugyen Lham | 400,000.00 | 20,000.00 | Dated 26/04/05 |
| Total | | | | 1,400,000.00 | 70,000.00 | |

6.17 Dzongkhag Administration, Pemagatshel

During the period, the Royal Audit Authority had issued one inspection report in respect of the Dzongkhag Administration, Pemagatshel and total unresolved significant irregularities amounted to Nu.0.544 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|--------------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.544 | 5 |
| Total | | 0.544 | |

1. Shortfalls, lapses and deficiencies – Nu. 0.544 million

The Dzongkhag had cases of shortfalls, lapses and deficiencies involving Nu.0.544 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|--------------|----------------------------|--------------|----------|---|
| 1.1 | Inadmissible payment | 0.379 | 1.1.1 | Tshering Nidup, DE Namgay, Dzongdag, (supervisory), |
| 1.2 | Non-adjustment of advances | 0.165 | 7.1.1 | Individuals concerned, Tenzin Jamtsho, FO (supervisory) |
| Total | | 0.544 | | |

The cases are explained hereunder:

1.1 Inadmissible payment -Nu. 0.379 million

A stretch of road between Gonpashingma to Nganmalam was washed away by the landslide prior to completion of the construction project. The Dzongkhag Administration estimated the restoration of the damaged road at Nu.0.429 million. The restoration work was awarded as an entirely different work from the initial contract and the contractor submitted Nu. 0.379 million which was subsequently paid. No action had been taken on the inadmissible payment.

1.2 Non-adjustment of advances - Nu. 0.165 million

Advance amounting to Nu.0.177 million were lying outstanding against the officials as of June 2006. Out of Nu.0.177 million, a sum of Nu.0.012 million was recovered leaving a balance of Nu.0.165 million.

6.18 Dzongkhag Administration, Punakha

During the period, the Royal Audit Authority had issued one inspection report in respect of the Dzongkhag Administration, Punakha. The total unresolved significant irregularities amounted to Nu.1.978 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.059 | 1 & 2 |
| 2 | Shortfalls, lapses and deficiencies | 1.919 | 5 |
| | Total | 1.978 | |

1. Misuse of cash closing balance -Nu. 0.059 million (Para No.1)

The closing cash balance of Nu.0.059 million was booked as advance against Tenzin, Sr. Accountant through an official memorandum concealing the facts of misuse of funds. The amount has been deposited subsequently but no action had been taken for the misuse of funds.

Who are accountable?

- a) Tenzin, Sr. Accountant,
- b) Tashi Dargay, Dzongrab, (supervisory)

2. Shortfalls, lapses and deficiencies – Nu. 1.919 million

The Dzongkhag had cases of shortfalls, lapses and deficiencies involving Nu. 1.919 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--------------------------------------|--------------|----------|--|
| 2.1 | Inadmissible payment of salary | 0.021 | 2 | Pari Chhetri, Asstt. Accounts Officer, Tashi Dargay, Dzongrab, (supervisory) |
| 2.2 | Excess payment made to the suppliers | 0.089 | 3 | Pari Chhetri, Asstt. Accounts Officer, Tashi Dargay, Dzongrab, (supervisory) |
| 2.3 | Non-adjustment of advances | 1.740 | 11 | Pari Chhetri, Asstt. Accounts Officer, Tashi Dargay, Dzongrab, (supervisory) |
| 2.4 | Inadmissible payment | 0.069 | 5.2 | Pari Chhetri, Asstt. Account Officer, Tashi Dargay, Dzongrab, (supervisory) |
| | Total | 1.919 | | |

The cases are explained hereunder:

2.1 Inadmissible payment -Nu. 0.021million

Tenzin, Sr. Accountant was paid salary of Nu.0.021 million for the period of absence from duty. No action had been taken for the inadmissible payment.

2.2 Excess payment -Nu. 0.089 million

The Dzongkhag Administration had paid the suppliers above the quoted rates resulting in excess payments of Nu.0.089 million. No action had been taken for the excess payments.

2.3 Non-adjustment of advances - Nu. 1.740 million

Advances amounting to Nu.22.599 million were lying outstanding against the officials, staff and parties against which Nu.20.859 million were recovered leaving a balance of Nu.1.740 million

2.4 Inadmissible payments -Nu.0.069 million

TA/DA claims aggregating to Nu.0.069 million were paid to staff who had actually not performed the tour. Recovery was awaited.

6.19 Dzongkhag Administration, Samdrup Jongkhar

During the period, the Royal Audit Authority had issued one inspection report in respect of the Dzongkhag Administration and total unresolved significant irregularities amounted to Nu.0.765 million as summarized below:

Table showing summary of observation with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.765 | 5 |
| | Total | 0.765 | |

1. Shortfalls, lapses and deficiencies – Nu. 0.765 million

The Dzongkhag had cases of shortfalls, lapses and deficiencies involving Nu.0.765 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--------------------------------|--------------|-------------|---|
| 1.1 | Outstanding municipal taxes | 0.678 | 4 | Tenzin Dakpa, JE |
| 1.2 | Short receipt of library books | 0.087 | 19.1 & 19.2 | Chimi Tenzin, Head Teacher, (supervisory) Rinzin Dorji ,Principal, (supervisory) |
| | Total | 0.765 | | |

The cases are explained hereunder:

1.1 Outstanding municipal taxes – Nu.0.678 million

Municipal taxes of Nu.1.795 million were lying outstanding, out of which Nu.1.117 million were deposited leaving a balance of Nu.0.678 million.

1.2 Short receipt of library books - Nu. 0.087 million

Library books valuing Nu.0.046 million supplied by the Education Central Stores, Phuentsholing were not received by Minjiwoong Lower Secondary School. Similarly, Deothang Middle Secondary School had not received books valuing Nu.0.041 million. No action had been taken for the books not received.

6.20 Dzongkhag Administration, Sarpang

During the year, the Royal Audit Authority had issued five inspection reports in respect of the Dzongkhag Administration, Sarpang which included the Dzongkhag, Municipal Corporation, Gelephu, Sarpang Middle Secondary School, Gelephu Higher Secondary School and Norbuling Lower Secondary School. The total unresolved significant irregularities of the Dzongkhag Administration, Sarpang amounted to Nu. 3.941 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.466 | 1 & 2 |
| 2 | Mismanagement | 0.374 | 3 |
| 3 | Shortfalls, lapses and deficiencies | 3.101 | 5 |
| | Total | 3.941 | |

1. Fraud, Corruption & Embezzlement – Nu. 0.466 million

The Dzongkhag Administration had cases of fraud, corruption & embezzlement aggregating to Nu.0.466 million as summarized below:

Table showing summary of cases of fraud, corruption and embezzlement (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|---|--------------|----------|--|
| 1.1 | Payment for consultancy service not availed | 0.442 | 2.4.1 | Passang Dorji, DE, Chhogyal D. Rinzin, former Dungpa, (supervisory), Phuntsho Wangdi, AFO, (supervisory) Dorji Dukpa, former Dzongdag, (supervisory), and Sonam Dawa, former Dzongdag, (supervisory) |
| 1.2 | Fictitious expenditure | 0.024 | 3.7 | Ugyenla, Dzongkha Focal Person |
| | Total | 0.466 | | |

The cases are explained hereunder:

1.1 *Payment of consultancy fee without availing service - Nu. 0.442 million*

The entire consultancy fee of Nu.0.724 million on account of construction of Jigmichholing Dratshang was released to M/s Druk Heritage Consultancy for which no full time Project Engineer and Project Architect were engaged as per the terms of contract. No action has been taken till date. Out of Nu.0.724 million, a sum of Nu.0.282 million was adjusted during review on 09/02/2007 leaving a balance of Nu.0.442 million.

1.2 *Fictitious expenditure - Nu.0.024 million*

Ugyenla, the Dzongkha focal person of Sarpang Dzongkhag had submitted accounts of Nu.0.079 million towards prize money distribution to the top three students from class PP to 10 each in the Zhungkha language examination. There were anomalies in the payment of prize money as in some cases third prizes were more than second prizes and third prize were at par with the first prizes. Nu.0.024 million worked out as recoverable remained un-recovered and no action has been taken for the fictitious expenditure.

2. Mismanagement - Nu. 0.374 million

The Dzongkhag had cases of mismanagement amounting to Nu.0.374 million as summarized below:

Table showing summary of mismanagement of revenue & properties (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|---------------------------------|--------------|----------|---|
| 2.1 | Mismanagement of properties | 0.068 | 5.1 | Karma Sherab, PA to Dzongdag |
| 2.2 | Overdue Taxes and Revenue | 0.226 | 1 | Sonam Tobgye, J.E., and Rai Bdr. Das, Officer In Charge. |
| 2.3 | Unauthorized issue of materials | 0.080 | 5 | Passang Dorji, D.E. Sonam Dawa, Dzongdag (supervisory) |
| | Total | 0.374 | | |

The cases are explained hereunder:

2.1 *Mismanagement of properties -Nu 0.068 million*

The Dzongkhag maintained only one register for both expendable and non-expendable items and the closing stocks balance of last fiscal year was also not carried forward to the subsequent year. No action had been taken for the shortages of stationery worth Nu.0.068 million found during physical verification.

2.2 *Overdue Taxes and Revenue – Nu.0.226 million*

Nu. 0.338 million remained uncollected on account of urban tax from the concerned land and building owners falling within the Municipal area of Gelephu. Out of Nu.0.338 million, a sum of Nu.0.112 million was subsequently recovered leaving a balance of Nu.0.226 million

2.3 *Unauthorized issue of materials - Nu. 0.080 million*

852 bags of cement (25 kgs each in a bag) loaned from the Rural Water Supply and Sanitation (RWSS) store to the Field Division, Department of Road, Sarpang had not been returned.

3. Shortfalls, lapses and deficiencies – Nu. 3.101 million

The Dzongkhag had cases of shortfalls, lapses and deficiencies involving Nu. 3.101 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|---|--------------|----------|---|
| 3.1 | Payment of Zorig Choesum allowance | 1.563 | 2.4.2 | Sonam Dawa, former Dzongdag (supervisory) |
| 3.2 | Inadmissible payments | 0.059 | 3.5 | Sonam Dawa, former Dzongdag, (supervisory) Singey Dorji, Census Assistant, and Ugyen Zam, Sr. Accountant. |
| 3.3 | Irregular payments | 0.035 | 3.3 | Sonam Dawa, former Dzongdag (supervisory) Nado, Dzongrab |
| 3.4 | Irregularities in advances | 1.423 | 3.12 | Pema Tenzin, Finance Officer, (supervisory), Sonam Dawa, former Dzongdag (supervisory) |
| 3.5 | Payment to employee not in service | 0.021 | 3.6 | Kuenley Tshering, HRO, Sonam Chogyel, former DEO, and Tshewang Tobgay, present DEO (supervisory) |
| 3.6 | Non-compliance to Government directives | - | 1.1 | Sonam Dawa, former Dzongdag (supervisory) |
| | Total | 3.101 | | |

The cases are explained hereunder:

3.1 Payment of Zorig Choesum allowance - Nu.1.563 million

Skilled laborers involved in the construction of Jigmecholing Dratshang w.e.f. October 2003 were paid 50% Zorig Choesum Allowance even after revision of national wage rate. The admissibility of 50% Zorig Choesum Allowance after the revision of national wage rate was not specified.

3.2 Inadmissible payments - Nu. 0.059 million

TA/DA claims aggregating to Nu.0.253 million were paid to officials who had not actually performed the tour. Out of Nu.0.253 million, a sum of Nu. 0.194 million were deposited leaving a balance of Nu.0.059 million.

3.3 Irregular payments - Nu. 0.035 million

Entire residential telephone bills of Dzongdag and Dzongrab aggregating to Nu.0.043 million were directly paid by the Dzongkhag without segregating officials and private call in deviation to the government rules. Out of Nu.0.043 million, a sum of Nu.0.008 million was deposited leaving a balance of Nu.0.035 million

3.4 Non-adjustment of advances – Nu. 1.423 million

Advance aggregating to Nu. 2.559 million were lying outstanding against the officials, contractors, & suppliers out of which Nu. 1.136 million were

liquidated leaving a balance of Nu.1.423 million. The entire balance of Nu. 1.423 million has become overdue.

3.5 *Payment to employee not in service - Nu.0.021 million*

Thinley Dorji, Night Guard of Sarpang Middle Secondary School was surrendered to the Education Sector of the Sarpang Dzongkhag due to absence from the duty since 6th October 2004. The salary of the incumbent amounting to Nu.0.021 million shown as disbursed till April 2005. Of Nu. 0.021 million, a sum of Nu.0.006 million was recovered leaving a balance of Nu.0.015 million. No actions have been taken for fictitious payment.

3.6 *Non-compliance to Government instructions*

The Ministry of Home & Cultural Affairs vide Order No. KA (10)-9/98/589 dated 28/10/1998 instructed Dzongdags to refrain from constructing or purchasing any personal houses and other immovable properties within the territories of the respective Dzongkhag during their tenure as Dzongdag. The instruction was further reinforced vide order no. NGA/ADM-10/2002/364 dated 9/10/2002. The said notifications were, however, not complied by Sonam Dawa, former Dzongdag who had acquired 2.98 acres of land from Gelephu during his tenure as Dzongdag.

6.21 Dzongkhag Administration, Trashigang

During the period, the Royal Audit Authority had issued one inspection report in respect of the Dzongkhag Administration, Trashigang and total unresolved significant irregularities amounted to Nu.0.573 million as summarized below:

Table showing summary of observation with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.573 | 5 |
| | Total | 0.573 | |

1. **Shortfalls, lapses and deficiencies – Nu. 0.573 million**

The Dzongkhag had cases of shortfalls, lapses and deficiencies involving Nu.0.573 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|---------------------------------------|--------------|----------|---|
| 1.1 | Short receipt of library books | 0.312 | 6.1 | Minjur Dorji, Chief Procurement Officer, Education Central Stores (supervisory) |
| 1.2 | Unjustified accumulations of advances | 0.261 | 4.1 | Tashi Wangyel, F.O (supervisory) |
| | Total | 0.573 | | |

The cases are explained hereunder:

1.1 *Short receipt of library books - Nu. 0.312 million*

Ten schools under the Dzongkhag had not received library books valuing Nu.0.312 million supplied by the Education Central Store, Phuntsholing under EDP funded project.

1.2 *Unjustified accumulations of advances - Nu. 0.261 million*

Advances amounting to Nu.0.910 million were lying unadjusted against staff, supplier and other parties out of which a sum of Nu.0.649 million was deposited leaving a balance of Nu.0.261 million.

6.22 Dzongkhag Administration, Trongsa

During the year, the Royal Audit Authority had issued one inspection report in respect of the Dzongkhag Administration, Trongsa and total unresolved significant irregularities amounted to Nu.0.648 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.154 | 1 & 2 |
| 2 | Mismanagement | 0.165 | 3 |
| 3 | Shortfalls, lapses and deficiencies | 0.329 | 5 |
| | Total | 0.648 | |

1. **Fraud, Corruption & Embezzlement – Nu. 0.154 million**

The Dzongkhag Administration had cases of strong indicators of fraud, corruption and embezzlement aggregating to Nu.0.154 million as summarized below:

Table showing summary of fraud, corruption & embezzlement (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|------------------------|--------------|----------|---|
| 1.1 | Fictitious payment | 0.115 | 1.3 | Dorji Gyeltshen, DLO and Lhap Dorji, Dzongdag (supervisory) |
| 1.2 | Misuse of cash balance | 0.039 | 2.1 | Dawa Tshering, Accountant |
| | Total | 0.154 | | |

1.1 Fictitious payment – Nu. 0.115 million

- a) The Dzongkhag Livestock Sector had conducted cattle show at Simphu under Nubi Gewog and booked expenditure of Nu.0.015 million on account of carrying charges of chadi items and wages for 20 farmers. Upon enquiry, Gup, Tshogpas and the participants/farmers stated that although work had been carried out no payments were made.

Further, an expenditure of Nu.0.065 million was shown as paid towards the Community Animal Health Workers Workshop at Trongsa Dzongkhag from 16th to 22nd June 2005 for 5 Gewogs. The Gups, Tshogpas and the farmers who were shown as participants confirmed that they did not attend the workshop.

- b) Dorji Gyeltshen, Dzongkhag Livestock Officer was paid Nu.0.035 million for payment of daily wages of bull and stallion keepers. Upon enquiry during joint field visit, Tshogpas and Gups stated that none of the concerned bull and stallion keepers had been paid with wages.

Out of the total fictitious payment of Nu.0.115 million a sum of Nu.0.050 million were deposited leaving a balance of Nu.0.065 million. No actions were taken as per the rules and regulations.

1.2 Misuse of cash balance - Nu.0.039 million

The closing balance of Nu.0.039 million for the financial year 2003–2004 in PLC A/c cash book was neither surrendered nor carried forward to the next financial year 2004–2005. It was also not available in chest during verification. No action has been taken for the misuse of cash balance.

2. Mismanagement – Nu. 0.165 million

The Dzongkhag had cases of non-remittance and irregular payments amounting to Nu.0.165 million as summarized below:

Table showing summary of non-remittance and irregular payment (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|----------------------|--------------|----------|----------------------------------|
| 2.1 | Non-remittance | 0.120 | 2.3 | Dawa Tshering, Accountant |
| 2.2 | Irregular payment | 0.045 | 1.9 | Sherub Phuntsho, Junior Engineer |
| | Total | 0.165 | | |

The cases are explained hereunder:

2.1 *Non-remittance - Nu. 0.120 million*

Dawa Tshering, Accountant had failed to remit a sum of Nu.0.491 million being 2% contractor tax recovered from the contractors' running bills. At the instance of the audit, a sum of Nu.0.371 million was deposited leaving a balance of Nu.0.120 million. No action has been taken for the non-remittance of revenue collected.

2.2 *Irregular payment - Nu.0.045 million*

Cost index ranging from 30% to 39% aggregating to Nu.0.045 million were paid for items of works like demolishing, dismantling and earth work which were not admissible as per the Bhutan Schedule of Rates (BSR). No action has been taken for the irregular payment.

3. **Shortfalls, lapses and deficiencies – Nu. 0.329 million**

The Dzongkhag had cases of shortfalls, lapses and deficiencies involving Nu.0.329 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|---------------------------------|--------------|-------------|---|
| 3.1 | Non-adjustment of advances | 0.293 | 1.14 2.2 | Dawa Tshering, Accountant, and Sonam Gyeltshen, FO, (supervisory) |
| 3.2 | Excess payment made to supplier | 0.036 | 1.13 | Dawa Tshering, Accountant, and Sonam Gyeltshen, FO, |
| | Total | 0.329 | | |

The cases are explained hereunder:

3.1 *Non-adjustment of advances- Nu.0.293 million*

- a) Advances paid during the financial year 2003-04 aggregating to Nu 0.037 million were lying outstanding in the PLC Account against which Nu.0.007 million were deposited leaving a balance of Nu. 0.030 million.
- b) Advances amounting to Nu 3.725 million were lying outstanding against the various individuals, suppliers and contractors out of which, a sum of Nu.3.462 million were liquidated leaving a balance of Nu.0.263 million

3.2 Excess payment - Nu. 0.036 million

Excess payments of Nu.0.037 million was made to supplier due to totaling errors against which a sum of Nu.0.001 million was deposited leaving a balance of Nu.0.036 million.

6.23 Dzongkhag Administration, Tsirang

During the period, the Royal Audit Authority had issued two inspection reports in respect of the Dzongkhag Administration, Tsirang which included the Dzongkhag and the Dzong Construction. The total unresolved significant irregularities reported were Nu.22.480 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|--|---------------|---------------|
| 1 | Fraud, Corruption and Embezzlement | 4.799 | 1 & 2 |
| 2 | Violation of Laws, Rules & Regulations | 0.037 | 4 |
| 3 | Shortfalls, lapses and deficiencies | 17.644 | 5 |
| | Total | 22.480 | |

1. Fraud, Corruption and Embezzlement – Nu. 4.799 million

The Dzongkhag had cases of strong indicators of fraud, corruption and embezzlement aggregating to Nu.4.799 million as summarized below:

Table showing summary of fraud, corruption and embezzlement (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|------------------------------|--------------|----------------------|---|
| 1.1 | Fictitious expenditure | 0.103 | 1 | Dorji, Admn. Assistant, Tshewang Jigme, Administrative Officer |
| 1.2 | False certification of works | 4.558 | 7 7.4 7.6, 7.8 | Rajen Pradhan, Assistant Engineer; Tashi Pelzom, DEO; Phub Dorji, Junior Engineer; K.B. Subba, Asstt. Engineer, and Lapchu, District Engineer |
| 1.3 | Misuse of revenues | 0.138 | 2 | Gyeltshen, Revenue Assistant |
| | Total | 4.799 | | |

1.1 Fictitious expenditure -Nu. 0.103 million

As confirmed, payment of Nu.0.103 million towards conducting Driglam Namzha training at Gewogs level and holding the reading and writing competition at NFE centers were fictitious. Appropriate actions for the fictitious payments were awaited.

1.2 *False certification of works – Nu. 4.558 million*

There were many instances of payments for works which were not executed or released the entire contracted amount while the works remained under construction. No action had been taken for the payments made for works not executed. The instances of such cases were as under:

- a) In the construction of Administrative Block at Damphu Lower Secondary School, Tsirang there were instances of excess payments and payments for works not actually executed aggregating to Nu. 0.184 million. The Dzongkhag had released the final bill without actual completions of the work vide voucher No. 263 of 30/06/06.
- b) Nu.0.199 million was released to M/s. Yonten Construction, Damphu on account of final bill for the construction of Aqua Privy toilet at Damphu Lower Secondary School prior to completion of the work. During the site visit, it was noted that only 60% of the work was completed.
- c) Nu.4.175 million was released to the contractor for the construction of BHU Grade II at Mendrelgang without completion of the work.
- d) Similarly, the Dzongkhag had certified the works of renovation of water supply scheme at Damphu and released the full payment in June 2006. On the contrary during the site visit on 15.09.06 with the Site Engineers it was found that the work had not been completed.

1.3 *Misuse of revenue -Nu. 0.138 million*

Against revenue collection of Nu.5.740 million, a sum of Nu.5.602 million only was deposited into Govt. Revenue Account resulting into short deposit of Nu.0.138 million. No action had been taken for the misuse of revenue.

2. **Irregular application of leave rule – Nu. 0.037 million**

Some officials during the probation period were paid Leave Travel Concession and allowed encashment of leave aggregating to Nu.0.063 million which was not admissible as per the Civil Service Rules. On pointing out, a sum of Nu.0.026 million was recovered leaving a balance of Nu.0.037 million.

Who are Accountable?

- a) Lhabula, HRO;
- b) Dr. Choke;
- c) Kamal Gurung, HA;
- d) Tashi Wangdi, ALEO;
- e) Mahesh Lepcha, JE, and (f) Norbu Dolma, OA

3. Shortfalls, lapses and deficiencies – Nu. 17.644 million

The Dzongkhag had cases of shortfalls, lapses and deficiencies involving Nu.17.644 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|------------------------------------|---------------|----------|--|
| 3.1 | Irregular payment | 0.210 | 3 | Tshewang Jigme, Adm. Officer (supervisory) |
| 3.2 | Over payments | 0.982 | 6.3, 1.5 | Rudra Mani Dhimal, AFO, Tender Committee (supervisory) |
| 3.3 | Non-collection of taxes | 0.030 | 5.1 | Gyeltshen, Revenue Incharge, Tshewang Jigme, Adm. Officer (supervisory) |
| 3.4 | Non collection of house rent | 0.050 | 5.2 | Gyeltshen, Revenue Incharge, Tshewang Jigme, Adm. Officer (supervisory) |
| 3.5 | Excess payment to contractor | 0.025 | 7.2, 1.2 | Karma Jamtsho, Junior Engineer Dhendup Tshering, DzFO Tshewang Jigmi, Adm. Officer (supervisory) |
| 3.6 | Non-adjustment of advances | 12.383 | 11 | Individuals concerned, Rudra Mani Dhimal, AFO (supervisory) |
| 3.7 | Non-deduction of 20% voids | 0.157 | 2 | Dzong construction Tender Committee (supervisory) |
| 3.8 | Payment of Zorig Choesum allowance | 3.807 | 6.1 | Dzong Construction Committee |
| | Total | 17.644 | | |

The cases are explained hereunder:

3.1 Irregular payment - Nu.0.210 million

Life insurance amounting to Nu.0.210 million were paid to the family members of the deceased during the financial year 2005-2006 from whom insurance premiums had not been realized.

3.2 Over payment – Nu. 0.982 million

- a) The Dzongkhag Administration had paid DSA at full rates instead of half the normal rates in respect of journey involving duration of less than 12 hours. The total over payments made amounted to Nu. 0.029 million. Out of Nu.0.029 million, a sum of Nu.0.006 million were recovered leaving a balance of Nu.0.023 million
- b) Consultancy fee of Nu.0.959 million were paid excess due to error in computation in the estimate.

3.3 Non-collection of taxes -Nu. 0.030 million

Municipal taxes such as the land tax, house tax and service charges of Nu 0.053 million for the financial year 2004-2005 and 2005-2006 were not collected from the commercial plot holders of Damphu town. Out of Nu. 0.053 million, a sum of Nu.0.023 million were recovered leaving a balance of Nu.0.030 million.

3.4 Non collection of house rents -Nu.0.050 million

Rents amounting to Nu.0.071 million were not collected from the private parties residing in government quarters. Out of Nu.0.071 million, a sum of Nu.0.021 million was recovered leaving a balance of Nu.0.050 million.

3.5 Excess payment to contractor – Nu. 0.025 million

The Dzongkhag had not deducted rebates offered by the contractor in the construction of Matron's quarter at Damphu Higher Secondary School, leading to excess payment of Nu.0.025 million.

3.6 Non-adjustment of advances -Nu.12.383 million

Advances amounting to Nu.12.383 million were lying outstanding against various individuals, contractors and other parties.

3.7 Non-deduction of 20% voids – Nu. 0.157 million

20% voids from the gross quantity of work done valuing Nu.0.157 million as per Specifications for Building & Road Works 2001 were not deducted in earth cutting. Appropriate action in this regard was awaited.

3.8 Payment of Zorig Choesum allowance– Nu. 3.807 million

The skilled and semi skilled labourers engaged in the construction and renovation of Dzongs and other monumental structures were paid 50% of the daily wage as Zorig Choesum allowance. The admissibility of such allowance after effecting cent percent revision in national wage rate in December 2000 was not specified.

6.24 Dzongkhag Administration, Wangduephodrang

During the year, the Royal Audit Authority had issued seven inspection reports in respect of the Dzongkhag Administration, Wangduephodrang which included the Dzongkhag, Bajo Higher Secondary School, Gaselo Middle Secondary School, Gaselo Lower Secondary School, Wangdue Lower Secondary School, Samtengang Lower Secondary and Nobding Lower Secondary School. The total unresolved significant irregularities amounted to Nu.0.280 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|--|--------------|---------------|
| 1 | Violation of Laws, Rules and Regulations | - | 4 |
| 2 | Shortfalls, lapses and deficiencies | 0.280 | 5 |
| | Total | 0.280 | |

1. Transfer not effected for long (Para No. 1.1)

There were thirty officials rendering services for more than 10 (ten) years in the Dzongkhag without being transferred to other agencies which was against the transfer policy of the Royal Government.

Who is accountable?

Kinley Tenzin, Administrative Officer

2. Shortfalls, lapses and deficiencies – Nu. 0.280 million

The Dzongkhag Administration had cases of shortfalls, lapses and deficiencies aggregating to Nu.0.280 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|----------------------------|--------------|----------|--|
| 2.1 | Excess payment | 0.241 | 4.1 | D.K Pradhan, AE, & Kinga Dorji DE (supervisory) |
| 2.2 | Irregularities in advances | 0.039 | 2.5 | Phub Tshering, Dzongdag, (supervisory), and Ashok Kr. Rai, Finance Officer |
| | Total | 0.280 | | |

The cases are explained below:

2.1 Excess payment– Nu. 0.241 million

As per BOQ in respect of earthwork excavation, only 40% of the excavation quantity was payable at higher rate of Nu.384.00 per m³ for hard soil excavation. However, the Dzongkhag had paid 60% and 70% of the total earth excavation in the construction of water supply of Wangdue town resulting in an over payment of Nu.0.241 million. No action has been taken for the overpayment.

2.2 Non-adjustment of advances – Nu. 0.039 million

Advances aggregating to Nu.5.310 million was lying unadjusted against the name of contractors, suppliers and officials. Out of the above advances, Nu.5.271 million was subsequently been liquidated leaving a balance of Nu.0.039 million.

6.25 Dzongkhag Administration, Zhemgang

During the period, the Royal Audit Authority had issued one inspection report in respect of the Dzongkhag Administration, Zhemgang and total unresolved significant irregularities amounted to Nu.2.780 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| SL. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 2.780 | 5 |
| | Total | 2.780 | |

1. Non-adjustment of advances - Nu. 2.780 million (Para No. 8)

Advances amounting to Nu 2.813 million were lying outstanding against the various individuals, suppliers and contractors against which a sum of Nu. 0.033 million were liquidated leaving a balance of Nu. 2.780 million.

Who are accountable?

- a) Individuals concerned, and
- b) Pema Jungney, Dzongrab (supervisory)

GEWOG ADMINISTRATION

6.26 Gewogs Administration under Paro Dzongkhag

Shaba Gewog

The Royal Audit Authority during the period had issued one inspection report in respect of the Gewog Administration, Shaba and total unresolved significant irregularities amounted to Nu.0.501 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observations in brief | Amount | Category code |
|---------|--|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.389 | 1 & 2 |
| 2 | Violation of Laws, Rules & Regulations | 0.112 | 4 |
| | Total | 0.501 | |

1. Fraud, Corruption and Embezzlement – Nu. 0.389 million

The Gewog had cases of strong indicators of fraud, corruption and embezzlement amounting to Nu.0.389 million as summarized below:

Table showing summary of fraud, corruption and embezzlement (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|------------------------------------|--------------|---------------------|--|
| 1.1 | Forgery and tampering of documents | 0.331 | 1.1.1.1, 1.1.1.2 | Sonam Tshering, Shaba Gup, Tashi Gyeltshen, J.E, Chane Zangmo, Dy. EE, (supervisory) Kinzang, DE, (supervisory) J.L. Subba, SFO, (supervisory) Namgyel Rinchen, Dzongrab,(supervisory) & Lham Dorji, Dzongdag, (supervisory) |
| 1.2 | Fictitious payments | 0.021 | 1.2.1, 1 | Phajo K Jimba, Mangmi, Tashi Gyeltshen, J.E, Sonam Tshering, Gup, |
| 1.3 | Shortages of properties | 0.037 | 1.3 | Pema Rinchen, Engineer, Chane Zangmo, Dy. EE, (supervisory) Kinzang, Dzongkhag Engineer, (supervisory) |
| | Total | 0.389 | | |

The cases are explained hereunder:

1.1 *Forgery and tampering of documents -Nu. 0.331 million*

There were instances of forgery and tampering of documents valuing Nu 0.331 million which were as under:

- a) The Dzongkhag had paid Nu.0.221 million towards the cost of 1105 cft of timber based on the bills of the already dissolved firm. The Ex Tshogpa of Baga Ugyen, under Shaba Gewog had confirmed the falsification of the claims.
- b) The bill of M/s Tsenden Logging for 76.42 cft timber valuing Nu.0.015 million was overstated as 328.60 cft timber valuing Nu. 0.066 million resulting in a difference of Nu.0.050 million. Further, the cost of 284 cft of sawn timber valuing Nu.0.060 million was taken over by the GYT Chairman Gup Sonam Tshering, Shaba and not paid to the proprietor of sawmill.

Out of the total forgery of Nu.0.331 million, a sum of Nu.0.100 million were deposited into the Audit Recoveries Account (ARA) by the Gup leaving a balance of Nu.0.231 million. No action except for the deposit of Nu.0.100 million for the forgery and tampering of documents had been taken.

1.2 Fictitious payment – Nu 0.021 million

Against the total muster roll payment of Nu.0.489 million, a sum of Nu. 0.021 million was not actually paid to the labourers as confirmed from the labourers engaged resulting to fictitious payment. No action has been taken for the fictitious payment.

1.3 Shortages of properties – Nu. 0.037 million

Electrical items valuing Nu.0.027 million was found short during the physical verification. Further, 6 rolls of wire (4 sq mm) valuing Nu.0.010 million (6 rolls x @1,781.20) were taken by the Gup and used for his private house. No action has been taken for the shortages of electrical items.

2. Irregular sanction to employee - Nu. 0.112 million

Phajo K Jimba, Mangmi of Shaba Gewog had been paid salary for 19 months aggregating to Nu.0.112 million in spite of not attending the office for the entire period except for 8 days. No action has been taken for the irregular payment.

Tsento Gewog

The Royal Audit Authority during the period had issued one inspection report in respect of the Gewog Administration, Tsento and total unresolved significant irregularities amounted to Nu.0.310 million as summarized below:

Table showing summary of observations with category and amount involved (Nu. in million)

| Sl. No. | Observations in brief | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.310 | 1 & 2 |
| | Total | 0.310 | |

1. Fraud, Corruption and Embezzlement- Nu. 0.310 million

The Gewog had cases of strong indicators of fraud, corruption & embezzlement amounting to Nu.0.310 million as summarized below:

Table showing summary of fraud, corruption & embezzlement (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|----------------------|--------|-----------------|---|
| 1.1 | Fictitious payments | 0.220 | 1.2, 1.5, 1.3.3 | Karma Dorji, Ex-Gup, Dago Gyeltshen, Present Gup, Pema Dorji, Dy. Ranger, Pemba Tshering, Gewog clerk, Tshomo, JE, (supervisory), and Kinzang, DE (supervisory) |

| | | | | |
|-----|------------------------|--------------|-------|--|
| 1.2 | Shortages of materials | 0.090 | 1.3.1 | Karma Dorji, Ex-Gup, Dago Gyeltshen, Present Gup, Chane Zangmo, Dy. EE (supervisory), and Kinzang, DE, (supervisory) |
| | Total | 0.310 | | |

The cases are explained hereunder:

1.1 Fictitious payments – Nu. 0.220 million

There were instances of fictitious payments of Nu.0.220 million which were as under:

- a) Salary aggregating to Nu.0.190 million of Pemba Tshering, Gaydung bearing citizenship identity card No. 10810001181 was withdrawn by Karma Dorji, Ex Gup. On enquiry, the Gaydung confirmed that he had not received the payment.
- b) A sum of Nu.0.020 million withdrawn by Tsento Gup as labourer payments for beautification of Drugyel Dzong were fictitious as the work was not carried out. Pema Dorji, Range Officer, Tsento Gewog confessed to preparation of fictitious Muster Roll to avoid lapse of budget. The amount was subsequently deposited but no actions have been taken for the fictitious payment.
- c) Scrutiny of Muster roll payments for the construction of wooden bridge at Shana revealed that the public of Shana village had received Nu.0.010 million only for the entire construction against the payment of Nu.0.020 million resulting in fictitious muster roll payment of Nu.0.010 million.

No action has been taken for the fictitious payments till date.

1.2 Shortages of materials – Nu. 0.090 million

On physical verification, 343 bags of cement for the maintenance of Fongdo Irrigation Channel under Tshento Gewog valuing Nu.0.090 million were found missing. No action has been taken for the shortage of materials.

Naja Gewog

The Royal Audit Authority during the period had issued one inspection report in respect of the Gewog Administration, Naja and total unresolved significant irregularities amounted to Nu.0.186 million as summarized below:

Table showing summary of observations with category and amount involved (Nu. in million)

| Sl. No. | Observations in brief | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.186 | 1 & 2 |
| | Total | 0.186 | |

1. Fraud, Corruption & Embezzlement - Nu. 0.186 million

The Gewog had cases of strong indicators of fraud, corruption & embezzlement aggregating to Nu.0.186 million as summarized below:

Table showing summary of fraud, corruption & embezzlement (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--------------------------------|--------------|----------|---|
| 1.1 | Fictitious payment | 0.032 | 1.3 | Dago Tshering, Ex-Gup, and Chhimi Dolma, Gewog Accountant |
| 1.2 | Shortages of properties | 0.030 | 1.4 | Sonam Tobgay, Former JE, Nado Rinchen, Store Officer, Choki Dorji, JE, Tshering Wangchuk, Ex-Mangmi, and Dago Tshering, Ex-Gup, |
| 1.3 | Shortages of revenue | 0.015 | 2.1 | Dago Tshering, Ex-Gup, and Wangdi, present Gup |
| 1.4 | Payment for works not executed | 0.078 | 1.2.2 | Sonam Tobgay, former JE, Nado Rinchen, Store Officer |
| | Total | 0.155 | | |

The cases are explained hereunder:

1.1 Fictitious payments – Nu.0.032 million

Salary aggregating to Nu.0.032 million shown as disbursed to Tshering Wangchuck, former Mangmi for the period from 1st January 2004 to 31st July 2004 was not received. Further, disbursement of salary was made without attesting his signature. No action had been taken for the fictitious payments.

1.2 Shortages of properties – Nu.0.030 million

In the renovation of Jagoen Lhaxhang, the Royal Government had supplied materials valuing Nu.0.150 million. While some of the materials were found on the way to Lhaxhang, materials valuing Nu.0.030 million were found missing. Action as required to be taken for the shortages was awaited.

1.3 Shortages of rural taxes – Nu. 0.015 million

Against rural tax collections of Nu.0.092 million for three financial years, a sum of Nu.0.077 million only were accounted into CD account No CD/878, resulting into short deposit of Nu.0.015 million.

1.4 *Payment for works not executed – Nu. 0.078 million*

Public contributions amounting to Nu.0.078 million paid to Phub Tshering, local carpenter to carry out wood works in Guenjugangkha Lhakhang were not completed even after a lapse of two Financial Years. No action had been taken on the payments for works not executed.

6.27 Gewog Administration under Haa Dzongkhag

Samar Gewog

The Royal Audit Authority during the period had issued one inspection report in respect of the Gewog Administration, Samar and total unresolved significant irregularities amounted to Nu.0.428 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observations in brief | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.428 | 1 & 2 |
| | Total | 0.428 | |

1. **Fraud, Corruption and Embezzlement – Nu. 0.428 million**

The Gewog had cases of strong indicators of fraud, corruption and embezzlement amounting to Nu.0.428 million as summarized below:

Table showing summary of fraud, corruption & embezzlement (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|-------------------------------------|--------------|----------|---|
| 1.1 | Fictitious payment of Muster Roll | 0.112 | 1 | Dorji, Gup, Tenzin Wangda, JE, M.B Mongar, DE, and Dechen Wangmo, F.O (supervisory) |
| 1.2 | Misuse of funds | 0.065 | 2 | Dorji, Gup, Tenzin Wangda, JE, M.B Mongar, DE, and Dechen Wangmo, F.O (supervisory) |
| 1.3 | Payment made for goods not received | 0.029 | 3 | Dorji, Gup, Tenzin Wangda, JE, M.B Mongar, DE, and Dechen Wangmo, F.O (supervisory) |
| 1.4 | Shortages of materials | 0.222 | 4 | Dorji, Gup, Tenzin Wangda, JE, M.B Mongar, DE, and Dechen Wangmo, F.O (supervisory) |
| | Total | 0.428 | | |

The cases are explained hereunder:

1.1 Fictitious payment of Muster Roll – Nu. 0.112 million

Against the total payment of Nu.0.179 million for the construction of water supply scheme in four villages, a sum of Nu.0.105 million was fraudulently claimed through submission of fictitious muster roll. Similarly, Nu.0.007 was made paid in the construction of Institutional latrine at Dorikha. No action was taken for the fictitious expenditure.

1.2 Misuse of funds – Nu. 0.065 million

In the renovations works of three suspension bridges at Thoksa, Punduna and Somchu, timber valuing Nu.0.047 million claimed as purchased from Hodo of Shari was fictitious as no such timer was sold by him for the said work. Further, in the construction of Field pack House at Shari, transportation cost of Nu.0.018 million was never paid separately as the amount was already included in the contract amount. No action was taken for the misuse of funds.

1.3 Payment for goods not received – Nu. 0.029 million

Payment amounting to Nu.0.029 million was made for the items like wood preservatives and cement, which were actually not for the construction of Thoksa, Puduna and Somchu zams. No action was taken for the fictitious expenditure.

1.4 Shortages of materials – Nu. 0.222 million

Materials valuing Nu.0.222 million for the construction of new water supply scheme at Langpa and Balaam, maintenance work of Somchu Bjalam, constructions of institutional latrine at Dorikha, construction of waste disposal pits in five villages were actually not available at sites during joint verification. No action was taken for the shortages of materials.

6.28 Gewog Administration under Thimphu Dzongkhag**Mewang Gewog**

The Royal Audit Authority during the period had issued one inspection report in respect of the Gewog Administration, Mewang and total unresolved significant irregularities amounted to Nu.0.226 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observations in brief | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.226 | 1 & 2 |
| | Total | 0.226 | |

1. Fraud, Corruption and Embezzlement - Nu. 0.226 million

The Gewog had cases of strong indicators of fraudulent malpractices amounting to Nu.0.226 million as summarized below:

Table showing summary of fraud, corruption & embezzlement (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|-----------------------------------|--------------|-------------------|--|
| 1.1 | Fictitious payment of Muster Roll | 0.102 | 1.2.1 & 1.4 | Phuntsho Dorji, ex Gup, Dechhen Dorji, JE Kinjang Dorji, J.E., and D. K. Rai, Finance Officer |
| 1.2 | Shortages of cement | 0.124 | 2.2.1 | Phuntsho Dorji, ex Gup, Kinjang Dorji, J.E., and D. K. Rai, Finance Officer |
| | Total | 0.226 | | |

The cases are explained hereunder:

1.1 Fictitious payment of Muster Roll- Nu. 0.102 million

In the renovation works of irrigation channels at Bjemina, Khasakha, Mewang the muster roll payment aggregating to Nu.0.102 million were fictitious as the concerned Lajab and mason acknowledged receipt of lesser amounts than actually shown as disbursed. No action was taken for the fictitious expenditure.

1.2 Shortages of cement at site – Nu. 0.124 million

662 bags of cement valuing Nu.0.124 million were not received for the renovation of Khasakha irrigation channel. No action was taken for the shortages of cement.

6.29 Gewogs Administration under Chhukha Dzongkhag

Gelling Gewog

The Royal Audit Authority during the period had issued one inspection report in respect of the Gewog Administration, Gelling and total unresolved significant irregularities amounted to Nu.0.207 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observations in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.054 | 1 & 2 |
| 2 | Shortfalls, lapses and deficiencies | 0.153 | 3 |
| | Total | 0.207 | |

1. Fraud, Corruption and Embezzlement - Nu. 0.054 million

The Gewog had cases of fraudulent malpractices amounting to Nu. 0.054 million as summarized below:

Table showing summary of fraud, corruption & embezzlement (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|-----------------------------------|--------------|----------|---|
| 1.1 | Quotation from non-existing firms | - | 1.2 | Singye Dorji, former Gup, and Rinchen Tshering, Site Engineer |
| 1.2 | Fictitious payment | 0.054 | 1.3 | Singye Dorji, former Gup, and Rinchen Tshering, Site Engineer |
| | Total | 0.054 | | |

The cases are explained hereunder:

1.1 Quotation from non-existing firms

Quotation for supply of sawn timber for the renovation of Geling Geonpa were obtained from three bidders viz. M/s Tenzin Construction, M/s Dorji Construction and M/s Wangchuk Construction. However, on enquiry it was revealed that none of the firms exist in the Dzongkhag indicating collusion among the Gewogs officials and the site engineer. Action for the preparation of false documents is awaited.

1.2 Fictitious payment – Nu. 0.054 million

A sum of Nu.0.054 million paid to Singye Dorji, former Gup towards sawing charges of 1158.97 cft. timber was found fictitious as the sawn timber stated to have been handed over to the site were not received due to which the progress of the works was hampered.

While the amount has been subsequently deposited into Audit Recoveries Account, no action has been taken for fictitious payment.

2. Shortfalls, lapses and deficiencies – Nu. 0.153 million

The Gewog had cases of shortfalls, lapses and deficiencies involving Nu. 0.153 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|---|--------------|----------|--|
| 2.1 | Supply of inferior quality of materials | 0.089 | 1.4 | Singye Dorji, former Gup Rinchen Tshering, Site Engineer |
| 2.2 | Non-collections of rural taxes | 0.064 | 2.1 | Rinzin Dorji, Gup |
| | Total | 0.153 | | |

The cases are explained hereunder:

2.1 Supply of inferior quality of materials – Nu. 0.089 million

Out of 385 Nos. of CGI sheets procured from M/s Pawan Enterprises, 218 Nos. valuing Nu.0.089 million were not of the required specification and quality. The work was suspended for want of required quality of CGI sheets. No action had been taken for the supply of inferior quality of CGI sheets.

2.2 Non-collections of rural taxes – Nu. 0.064 million

The Gewog had not collected rural taxes of Nu.0.050 million for the year 2005. Further, rural life insurance of Nu.0.014 million was also not collected. Action has not been taken for non-collection of rural taxes.

Bjabcho Gewog

The Royal Audit Authority during the period had issued one inspection report in respect of the Gewog Administration, Bjabcho and total unresolved significant irregularities amounted to Nu.0.274 million as summarized below:

Table showing summary of observations with category and amount involved (Nu. in million)

| Sl. No. | Observations in brief | Amount | Category code |
|---------|--|--------------|---------------|
| 1 | Violation of Laws, Rules and Regulations | 0.274 | 4 |
| | Total | 0.274 | |

1. Direct award of work - Nu. 0.274 million (Para No. 1)

The Gewog Administration had awarded the contract for the construction of three blocks classroom at the cost of Nu.0.274 million directly to Tobgay without tendering. No action had been taken for the award of work directly by the Gup.

Who are accountable?

- a) Namgay Dorji, former Gup, and
- b) Penjor, present Gup

Bongo Gewog

The Royal Audit Authority during the period had issued one inspection report in respect of Gewog Administration, Bongo and total unresolved significant irregularities amounted to Nu.0.069 million as summarized below:

Table showing summary of observations with category and amount involved (Nu. in million)

| Sl. No. | Observations in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.033 | 1 & 2 |
| 2 | Shortfalls, lapses and deficiencies | 0.036 | 5 |
| | Total | 0.069 | |

The cases are explained hereunder:

1. Misuse of revenue - Nu. 0.033 million (Para No.2.1)

Out of total rural life insurance collections of Nu.0.141 million, the Gewog had deposited Nu.0.108 million only with the Dzongkhag, leaving a balance of Nu.0.033 million. The balance amount was not available on physical verification. While the amount was subsequently recovered no action had been taken for the misuse of revenue.

Who is accountable?

Drakey Gyeltshen, Gup

2. Unexplained discrepancy – Nu. 0.036 million (Para No. 3.1)

The amount in the bills was higher than indicated in the challans for the materials purchased for the renovation of Lhakhangs and Community Schools aggregating to Nu.0.036 million leading to unexplained discrepancy for the difference. No action had been taken on the discrepancy.

Who is accountable?

Tshering Zangmo, Gewog Accountant

6.30 Gewogs Administration under Punakha Dzongkhag

Guma Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Guma and total unresolved significant irregularities amounted to Nu.0.366 million as summarized below:

Table showing summary of observations with category and amount involved (Nu. in million)

| Sl. No. | Observation Category | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.165 | 1 & 2 |
| 2. | Shortfalls, lapses and deficiencies | 0.201 | 5 |
| | Total | 0.366 | |

1. Payments without receiving goods - Nu. 0.165 million (Para No. 8.1 & 9.1)

An amount of Nu.0.112 million was paid towards purchase of cement for construction of Phulusu School without actually receiving it. Similarly, an amount of Nu.0.053 million was paid towards purchase of cement for construction of Lakhu School which was not received. No action had been taken for the payments made for the materials not received.

Who is accountable?

Rinzin Wangdi, Gup

2. Shortfalls, lapses and deficiencies – Nu. 0.201 million

The Gewog Administration had cases of shortfalls, lapses and deficiencies aggregating to Nu.0.201 million as summarized below.

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|------------------------------------|--------------|----------|----------------------|
| 2.1 | Excess payments | 0.104 | 9.2 | Rinzin Wangdi, Gup |
| 2.2 | Irregularities in payment of wages | 0.097 | 13.2 | Rinzin Wangdi, Gup |
| | Total | 0.201 | | |

The cases are explained hereunder:

2.1 *Excess payments - Nu. 0.104 million*

The Gewog had paid Nu.0.181 million towards the sawing charges of 3,149.74 cft. timber for the construction of Lakhu School. However, during site visit 1,336.74 cft. timber only was available resulting in excess payment of Nu.0.104 million. Action taken on the excess payment is awaited.

2.2 *Irregular payments – Nu.0.097 million*

Nu.0.097 million was paid as wages for the construction and renovation of RWSS, Irrigation channel. However no such renovations were carried out for which no action had been taken.

Chhubu Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Chhubu and total unresolved significant irregularities amounted to Nu.0.307 million as summarized below:

Table showing summary of observations with category and amount involved (Nu. in million)

| Sl. No. | Observation Category | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.307 | 5 |
| | Total | 0.307 | |

1. Unjustified accumulations of advances – Nu.0.307 million (Para No.7)

Advances aggregating to Nu.0.307 million paid to the supplier (Nu. 6,615.00) and the contractor (Nu.300,000.00) was not adjusted at the close of Fiscal Year. Action taken to adjust the advances was awaited.

Who is accountable?

Dolay, Gup

Toewang Gewog

The Royal Audit Authority during the year had issued one inspection report in respect the Gewog Administration, Toewang and total unresolved significant irregularities amounted to Nu.0.053 million as summarized below:

Table showing summary of observations with category and amount involved (Nu. in million)

| Sl. No. | Observation Category | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.053 | 1 & 2 |
| | Total | 0.053 | |

1. Payment made for works not carried out – Nu.0.053 million (Para No.2)

A sum of Nu.0.053 million was paid as hire charges of truck for the disposal of 2064 m³ of surplus soil for duration of 21 days. However, there were no evidences of surplus soil being disposed off. No action had been taken for the payments made without execution of works.

Who is accountable?

Tashi Penjor, JE

Lingmukha Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Lingmukha and total unresolved significant irregularities amounted to Nu.0.074 million as summarized below:

Table showing summary of observations with category and amount involved (Nu. in million)

| Sl. No. | Observation Category | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.074 | 5 |
| | Total | 0.074 | |

The cases are explained hereunder:

1. Shortfalls, lapses and deficiencies – Nu.0.074 million

The Gewog Administration, Lingmukha had a case of shortfall, lapses & deficiencies viz., irregular payment and non-distribution of seed aggregating to Nu.0.074 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--------------------------|--------------|----------|----------------------|
| 1.1 | Irregular payment | 0.049 | 11.2 | Rupa Gurung, JE |
| 1.2 | Non-distribution of seed | 0.025 | 6 | Yeshe Lhamo, AAEO |
| | Total | 0.074 | | |

The cases are explained hereunder:

1.1 Irregular payment - Nu. 0.049 million

The wages pertaining to the construction/renovation of RWSS, Irrigation channel, etc amounting to Nu.0.049 million was paid before actual execution of works. Action taken on the irregular payment was awaited.

1.2 Non-distribution of seeds - Nu. 0.025 million

Agricultural seeds worth Nu.0.025 million procured for distribution to public were found not distributed to beneficiaries. Action taken for non-distribution was awaited.

Kabjisa Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Kabjisa and total unresolved significant irregularities amounted to Nu.0.070 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation Category | Amount | Category code |
|---------|--|--------------|---------------|
| 1 | Violation of Laws, Rules & Regulations | 0.070 | 4 |
| | Total | 0.070 | |

1. Irregularities in payments of wages- Nu. 0.070 million (Para No.9.2)

The wages pertaining to the construction/renovation of RWSS, Irrigation channel, etc amounting to Nu.0.070 million was paid before actual execution of works. Action taken on the irregular payment was awaited.

Who is accountable?

Tshering Tobgay, Gup

6.31 Gewogs Administration under Gasa Dzongkhag

Laya Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Laya and total unresolved significant irregularities amounted to Nu.0.038 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation Category | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & embezzlement | 0.038 | 1 & 2 |
| | Total | 0.038 | |

1. Payment for training not conducted - Nu. 0.038 million (Para No.1.3)

Out of Nu.0.068 million reported as expenditure for conducting farmers training by Tenzin Chogyel, DzFO, bills for Nu.0.038 million were found claimed for the training not conducted. Action taken for claims without conducting training was awaited.

Who is accountable?

Tenzin Chhophel, DzFO

Khamoe Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Khamoe and total unresolved significant irregularities amounted to Nu.0.036 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation Category | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.036 | 1 & 2 |
| | Total | 0.036 | |

1. Fraud, Corruption & Embezzlement – Nu. 0.036 million

The Gewog had cases of Fraud, Corruption and Embezzlement aggregating to Nu.0.036 million as summarized below:

Table showing summary of fraud, corruption & embezzlement (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|----------------------------|--------------|----------|--------------------------|
| 1.1 | Misrepresentation of facts | 0.020 | 1.1 | Jigme Wangchuk, DzFO |
| 1.2 | Misuse of taxes | 0.016 | 2.1 | Sampa, Revenue In-charge |
| | Total | 0.036 | | |

The cases are explained hereunder:

1.1 Misrepresentation of facts- Nu. 0.020 million

Jigme Wangchuk, DzFO had conducted mushroom training at Gyenkhamey for one day. However, he submitted bills for seven days resulting in excess payment of Nu.0.020 million. No action had been taken for the misrepresentation of facts.

1.2 Non-deposit of Rural Life Insurance- Nu. 0.016 million

The Revenue In-charge of the Dzongkhag Administration, Gasa had not deposited the rural life insurance of Nu.0.016 million collected during the year 2006 into Government RGR Account. Action had not been taken for non-deposit of revenue.

6.32 Gewogs Administration under Dagana Dzongkhag

Tseza Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Tseza and total unresolved significant irregularities amounted to Nu.0.132 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|--|--------------|---------------|
| 1 | Violation of Laws, Rules & Regulations | 0.132 | 5 |
| | Total | 0.132 | |

1. Violations of Laws, Rules & Regulations –Nu.0.132 million (Para No. 1.2)

Penalty amounting to Nu.0.132 million was not imposed for the delay of 290 days in the construction of permanent work of Samey farm road as per the terms and condition of contract. No action was taken for not imposing the penalty.

Who are accountable?

- a) Dungchen, Gup, and
- b) J.N Prandhan, DE

Dorona Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Dorona and total unresolved significant irregularities amounted to Nu.0.029 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.029 | 1 & 2 |
| | Total | 0.029 | |

1. Fraud, Corruption and Embezzlement – Nu. 0.029 million

The Gewog Administration had cases of strong indicators of fraud, corruption & embezzlement aggregating to Nu.0.029 million as summarized below:

Table showing summary of fraud, corruption & embezzlement (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who is accountable? |
|---------|--------------------------|--------------|----------|---------------------------|
| 1.1 | Submission of false bill | 0.018 | 1.1 | H.B Thapa, AEO |
| 1.2 | Fictitious expenditure | 0.011 | 1.4.1 | Kencho Wangdi, Dy. Ranger |
| | Total | 0.029 | | |

The cases are explained hereunder:

1.1 Submission of false bill – Nu. 0.018 million

A sum of Nu.0.018 million was adjusted against the bills submitted by H.B Thapa, Agriculture Extension Officer (AEO) towards the supply of fertilizer and seeds to the farmers of the Dorona Gewog during the Financial Year 2004-05. However, upon enquiry, it was revealed that no such supply was made by the incumbent during the Financial Year 2004-05. No action had been taken for the false payments.

1.2 Fictitious expenditure – Nu. 0.011 million

Out of Nu.0.016 million incurred on account of DSA payment for the participants attending the training on forest fire control in the Gewog, Nu.0.011 million was found fictitious as the participants mentioned did not exist. No action had been taken for the fictitious payments.

Tshangkha Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Tshangkha and total unresolved significant irregularities amounted to Nu.0.030 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.030 | 3 |
| | Total | 0.030 | |

The case is explained hereunder:

1.1 *Non-adjustment of advances – Nu.0.030 million (Para No. 1.2)*

Total advances of Nu.0.030 million paid to Tshering Norbu, ALEO for purchase of fodder seedlings and Sangay for purchase of Statue were lying outstanding since 2004-2005. No action had been taken for outstanding advances.

Who are accountable?

- a) Tshering Norbu, ALEO, and
- b) Sangay.

Drujeygang Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Drujeygang and total unresolved significant irregularities amounted to Nu.0.088 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|--|--------------|---------------|
| 1 | Violation of Laws, Rules & Regulations | 0.088 | 5 |
| | Total | 0.088 | |

1.1 *Execution of sub-standard works - Nu. 0.088 million (Para No.1)*

M/s Kezang Choki Construction, Dagana carried out the work for construction of Gup Office Drujeygang. However, works valuing Nu.0.088 million was not executed as per the specification. No action had been taken for sub-standard work executed.

Who is accountable?

Lobzang Dawa, JE

Tshendagang Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Tshendagang and total unresolved significant irregularities amounted to Nu.0.050 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.050 | 1 & 2 |
| | Total | 0.050 | |

1.1 Submission of false bill – Nu. 0.050 million (Para No.1.1)

A sum of Nu. 0.050 million was paid to Tshering Pem, AEO Tshendagang Gewog towards purchase and distribution of 10,000 cardamom seedlings to the public. However, upon enquiry the seedlings were not found distributed. No action had been taken for submitting false bills.

Who is accountable?

Tshering Pem, AEO

Trashiding Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Trashiding and total unresolved significant irregularities amounted to Nu.0.046 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.046 | 1 & 2 |
| | Total | 0.046 | |

1.1 Fictitious payments –Nu. 0.046 million (Para No.1.2)

A sum of Nu.0.046 million was withdrawn at the fag end of the Financial Year towards the expenditure for the construction of Namchala ORC. However, no recipients had acknowledged in the muster roll. Action taken for the fictitious payments was awaited.

Who is accountable?

Purna Kr. Chhettri, Accountant

Goshi Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration Goshi and total unresolved significant irregularities amounted to Nu.0.029 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1. | Fraud, Corruption & Embezzlement | 0.029 | 1 &2 |
| | Total | 0.029 | |

1. Non deposit of taxes- Nu. 0.029 million (Para No.2.3)

The Ex. Gup Namgay Wangdi had not deposited the rural taxes amounting to Nu.0.029 million collected during his tenure in the year 2005 into the Gewog CD account. No action had been taken for the non deposit of rural taxes.

Who is accountable?

Namgay Wangdi, Ex. Gup

6.33 Gewogs Administration under Tsirang Dzongkhag

Tsirangtoe Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Tsirangtoe and total unresolved significant irregularities amounted to Nu.0.039 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, Lapses and deficiencies | 0.039 | 5 |
| | Total | 0.039 | |

1. Excess payment -Nu. 0.039 million (Para No.2.6)

The Gewog had paid for 12,400 meters for consolidation of sub grade works against the actual length of 9800 meters resulting to excess payment of Nu.0.039 million. Action taken on the excess payment was awaited.

Who are accountable?

- a) Shiva Kumar Bhujel, JE, and
- b) Lhapchu, Dzongkhag Engineer (supervisory)

Dunglagang Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Dunglagang and total unresolved significant irregularities amounted to Nu.0.107 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.107 | 1 & 2 |
| | Total | 0.107 | |

1. Non-deposit of Rural Life Insurance- Nu. 0.107 million (Para No. 1)

The Gewog Administration had not deposited Rural Life Insurance collections of Nu.0.107 million for the year 2005 & 2006 to the Dzongkhag Administration, Tsirang. No action has been taken on the non-deposits of rural life insurance.

Who is accountable?

D.B. Mongar, Gup

Goseling Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Goseling and total unresolved significant irregularities amounted to Nu.0.030 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.030 | 5 |
| | Total | 0.030 | |

1. Non-collection of Rural Life Insurance -Nu. 0.030 million (Para No.1)

The Gup had not collected Rural Life Insurance of Nu.0.030 million for the year 2005 & 2006. No action had been taken on the non-collection of rural life insurance.

Who is accountable?

Kharka Bdr.Tamang, Gup

Shemjong Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Shemjong and total unresolved significant irregularities amounted to Nu.0.021 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.021 | 5 |
| | Total | 0.021 | |

1. Non-deposit of Rural Life Insurance- Nu. 0.021 million (Para No.3)

The Gewog administration had deposited only Nu.0.040 million against the total collections of Nu.0.061 million for the year 2006, resulting into short deposit of Nu.0.021 million. No action had been taken for non-deposit of rural life insurance.

Who is accountable?

Lhakpa Tshering Tamang, Gup

6.34 Gewogs Administration under Pemagatshel Dzongkhag**Chimong Gewog**

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Chimong and total unresolved significant irregularities amounted to Nu.0.697 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.060 | 1 & 2 |
| 2 | Shortfalls, lapses and deficiencies | 0.637 | 5 |
| | Total | 0.697 | |

1. Fictitious payment -Nu. 0.060 million (Para No.1.3)

The Gup who had executed the renovation works of Chiphung lhakhang had included dummy workers, enhanced wage rates and increased the

number of days for some workers resulting in fictitious claim of Nu.0.060 million. No action had been taken on the fictitious payment.

Who is accountable?

Sonam Tobgay, Gup

2. Shortfalls, lapses and deficiencies – Nu. 0.637 million

The Gewog had cases of shortfalls, lapses and deficiencies involving Nu. 0.637 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--|--------------|----------|--|
| 2.1 | Over payment in construction of Meeting Hall | 0.140 | 1 | Sonam Tobgay, Gup, and Kencho Wangdi, JE |
| 2.2 | Excess deployment of labourers | 0.074 | 2 | Sonam Tobgay, Gup, and Kencho Wangdi, JE |
| 2.3 | Irregular payment of cost index | 0.028 | 2 | Sonam Tobgay, Gup, and Kencho Wangdi, JE |
| 2.4 | Excess muster roll claims | 0.225 | 3&4 | Sonam Tobgay, Gup |
| 2.5 | Excessive grant of advances | 0.170 | 6 | Sonam Tobgay, Gup, and Tenzin Jamtsho, F.O (supervisory) |
| | Total | 0.637 | | |

The cases are explained hereunder:

2.1 *Over payment in construction of Meeting Hall - Nu. 0.140 million*

The Gup was paid Nu.0.365 million for the construction of Public Meeting Hall at Chimung as against the actual value of work done of Nu.0.225 million as confirmed through physical verification and detailed measurement resulting in excess payment of Nu.0.140 million. No action had been taken on the excess payment.

2.2 *Excess deployment of labour - Nu. 0.074 million*

The number of labourers deployed for the extension of football ground at Chimung Primary School, was more than what was required by 735.76 man days as per Labour and Materials Coefficient 2001 resulting to excess deployment involving Nu.0.074 million. No action had been taken on excess deployment.

2.3 *Irregular payment of cost index- Nu. 0.028 million*

For the extension of football ground at Chimung Primary School, the Gup was paid Nu.0.028 million towards 10% cost index and 5% contingency for the items of works which were not allowed as per Bhutan Schedule of Rates (BSR). No action had been taken on the irregular payment.

2.4 Excess payments - Nu. 0.225 million

- a) The Gup had been paid excess payment of Nu.0.186 million on the construction of Samlam Zam, which included Nu.0.088 million for transportation, Nu.0.015 million for cement not received and double payment of Nu.0.083 million. No action had been taken on the excess payment.
- b) The Gup was paid Nu.0.053 million for 526.80 man days on creation of nursery over an area of 70 m² of land as against the theoretical requirement of 140 man-days as per the Forestry norms resulting to excess payment of Nu.0.039 million. No action had been taken on the excess payment.

2.5 Grant of excessive advance - Nu. 0.170 million

Advances aggregating to Nu.0.170 million were lying outstanding against the gup, Sonam Tobgay paid during the Fiscal Year 2003-04. No action had been taken on the overdue advances.

Chongshing Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Chongshing and total unresolved significant irregularities amounted to Nu.1.199 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|--|--------------|---------------|
| 1 | Violation of Laws, Rules and Regulations | 1.199 | 4 |
| | Total | 1.199 | |

1. Unauthorized award of work – Nu.1.199 million (Para No. 1.1)

The Gewog Administration had awarded the construction of Gup Office at Chongshing valuing Nu.1.199 million in deviation to the delegation of authority enshrined in the GYT Chathrim 2002. Action taken for unauthorized award of work was awaited.

Who is accountable?

Nima Dorji, Gup

Khar Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Khar and total unresolved significant irregularities amounted to Nu.1.272 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|--|--------------|---------------|
| 1 | Violation of Laws, Rules & Regulations | 1.200 | 4 |
| 2 | Shortfalls, lapses and deficiencies | 0.072 | 5 |
| | Total | 1.272 | |

1. Unauthorized award of work – Nu. 1.200 million (Para No. 1.2)

The Gewog Administration had awarded the construction of Gup Office at Khar valuing Nu.1.200 million in deviation to the delegation of authority enshrined in the GYT Chathrim 2002. Action taken for unauthorized award of work was awaited.

Who is accountable?

Karsang Dawa, Gup

2. Non-adjustment of advances -Nu. 0.072 million (Para No.1.1)

Advances amounting to Nu.0.072 million were lying unadjusted against Karsang Dawa, Gup. No action had been taken on the outstanding advances.

Who is accountable?

Karsang Dawa, Gup

Zobel Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Zobel and total unresolved significant irregularities amounted to Nu.0.575 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.575 | 5 |
| | Total | 0.575 | |

1. Non-adjustment of advances -Nu. 0.575 million (Para No.1.1)

Advances amounting to Nu.0.575 million were lying unadjusted against Dorji Wangdi, Gup. No adjustment details and bills were submitted even after lapse of one year. Action taken on the non-adjustment of advances was awaited.

Who is accountable?

Dorji Wangdi, Gup

Shumar Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Shumar and total unresolved significant irregularities amounted to Nu.1.298 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 1.298 | 5 |
| | Total | 1.298 | |

1. Shortfalls, lapses and deficiencies – Nu. 1.298 million

The Gewog had cases of shortfalls, lapses and deficiencies amounting to Nu.1.298 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who is accountable |
|---------|-------------------------------|--------------|-----------|--------------------|
| 1.1 | Non-adjustment of advances | 0.040 | 1.1 | Lepo, Gup |
| 1.2 | Over payment on constructions | 0.058 | 1.2 & 1.3 | Lepo, Gup |
| 1.3 | Unauthorized award of work | 1.200 | 1.7 | Lepo, Gup |
| | Total | 1.298 | | |

The cases are explained hereunder:

1.1 Non-adjustment of advances -Nu. 0.040 million

Advances amounting to Nu.0.040 million were lying unadjusted against Sangay Norbu, ex Mangmi. No adjustment details and bills were submitted even after lapse of one year. Action taken on the non-adjustment of advances was awaited.

1.2 Over payments - Nu. 0.058 million

The Gewog Administration had made excess payment of Nu.0.017 million on the construction of Khothakpa Community School by overstating the measurement of doors and windows shutters. Similarly, excess payment of Nu.0.041 million was made in the construction of head teacher's quarter at Dager Community School by overstating the value of work done. No action had been taken on the over payments.

1.3 *Unauthorized award of work- Nu.1.200 million*

The Gewog Administration had awarded the construction of Gup Office at Shumar valuing Nu.1.200 million in deviation to the delegation of authority enshrined in the GYT Chathrim 2002.

Action taken for unauthorized award of work was awaited.

Dechenling Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Dechenling and total unresolved significant irregularities amounted to Nu.0.021 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.021 | 1 & 2 |
| | Total | 0.021 | |

1. **Shortages of cash - Nu. 0.021 million (Para No.1.2)**

The former Gup, Wangchuk had not handed over the cash balance of Nu. 0.021 million to the new Gup, Dawa Norbu. No action had been taken on the non-handing over of the cash balances.

Who are accountable?

- a) Wangchuk, ex Gup, and
- b) Dawa Norbu, present Gup

6.35 Gewog Administration under Samdrup Jongkhar Dzongkhag

Gomdar Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Gomdar and total unresolved significant irregularities amounted to Nu.0.054 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.054 | 1 & 2 |
| | Total | 0.054 | |

1. Non deposit of revenue -Nu. 0.054 million (Para No.1.1)

Tshering Penjor, Mangmi of Gomdar Gewog had not deposited the revenue collections of Nu.0.054 million into the Current Account of the Gewog. No action had been taken on the non-deposit of revenue.

Who is accountable?

Tshering Penjor, Mangmi

6.36 Gewogs Administration under Mongar Dzongkhag

Gongdu Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Gongdu and total unresolved significant irregularities amounted to Nu.0.038 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.038 | 1 &2 |
| | Total | 0.038 | |

1. Fictitious expenditure – Nu. 0.038 million (Para No. 05)

The Gongdu Gewog had booked an expenditure Nu.0.038 million on forestry training activities which was actually not conducted. No action had been taken for making payments on activities not conducted.

Who are accountable?

- a) Tshering Dorji, Ex Gup, and
- b) Chophel, Dy. Ranger

Jurmey Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Jurmey and total unresolved significant irregularities amounted to Nu.0.010 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.010 | 1 &2 |
| | Total | 0.010 | |

1. Fictitious expenditure – Nu. 0.010 million (Para No. 03)

The Gewog Administration had booked an expenditure of Nu.0.010 million on community forest plantation activities, which were actually not conducted. No action had been taken on the fictitious expenditure.

Who is accountable?

Sangay Yeshi, former Gup

Sherimuhung Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Sherimuhung and total unresolved significant irregularities amounted to Nu.0.023 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| SI. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.023 | 5 |
| | Total | 0.023 | |

1. Over payments in constructions – Nu. 0.023 million (Para No. 1 & 2)

The Gewog had made excess payment of Nu.0.023 million due to excess measurements in the construction of RNR centre at Sherimuhung and in the construction of Gup Office. No action had been taken for the over payments.

Who is accountable?

Tashi Phuntsho, former Gup

Silambi Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Silambi and total unresolved significant irregularities amounted to Nu.0.035 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| SI. No. | Observation in brief | Amount | Category code |
|---------|----------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.035 | 1 & 2 |
| | Total | 0.035 | |

1. Payments for materials not received – Nu. 0.035 million (Para No.1)

The Gewog had made payment of Nu. 0.035 million on account of Ply board, sanitary items and painting materials for the construction of the

Wama Out Reach Clinic without receiving the materials. No action had been taken for materials not received.

Who is accountable?

Wangdi Tshering, Gup

6.37 Gewogs Administration under Bumthang Dzongkhag

Choekor Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Choekor and total unresolved significant irregularities amounted to Nu.1.198 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|--|--------------|---------------|
| 1 | Violation of Laws, Rules and Regulations | 1.198 | 4 |
| | Total | 1.198 | |

1. Improper evaluation of bids – Nu.1.198 million (Para No. 08)

The construction of Gup Office was awarded to the second lowest bidder with a bid value of Nu.1.198 million without assigning reasons for the rejection of the first lowest bidder. Tender was also not floated in the media as required. No action had been taken for the lapses.

Who is accountable?

Tandin Wangmo, JE

Ura Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Ura and total unresolved significant irregularities amounted to Nu.0.581 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.581 | 5 |
| | Total | 0.581 | |

1. Shortfalls, lapses and deficiencies – Nu.0.581 million

The Gewog had cases of shortfalls, lapses and deficiencies involving Nu. 0.581 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who is accountable? |
|---------|----------------------------|--------------|----------|---------------------|
| 1.1 | Irregular payment | 0.062 | 02 | Tshewang Jigme, Gup |
| 1.2 | Non-adjustment of advances | 0.519 | 10 | Tshewang Jigme, Gup |
| | Total | 0.581 | | |

1.1 Irregular payment – Nu. 0.062 million

An advance of Nu.0.062 million paid to Gup Tshewang Jigme for the maintenance of electrical work of Ura Lhaxhang was adjusted on photocopied bills. No action had been taken for payment made on photocopied bills.

1.2 Non-adjustment of advances – Nu. 0.519 million

Advances amounting to Nu.0.519 million paid to Gup Tshewang Jigme during the Financial Year 2003-04 for construction of farm road at Tangsibi ORC remained unadjusted till October 2005. No action had been taken to adjust the overdue advances.

6.38 Gewog Administration under Zhemgang Dzongkhag

Nangkor Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Nangkor and total unresolved significant irregularities amounted to Nu.0.154 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.154 | 5 |
| | Total | 0.154 | |

1. Non-adjustment of advances – Nu.0.154 million (Para No.4)

Advances amounting to Nu.0.154 million were lying unadjusted against Kinley Wangchuk, Ex. Gup for the renovation of Nangkhar Lhakang. The renovation of the Lhaxhang was not started. No action had been taken for non-execution of work.

Who is accountable?

Kinley Wangchuk, former Gup

6.39 Gewog Administration under Lhuentse Dzongkhag

Menbi Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Menbi and total unresolved significant irregularities amounted to Nu.0.023 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.023 | 5 |
| | Total | 0.023 | |

1. Unjustified payments – Nu. 0.023 million (Para No. 01)

The Menbi Gewog had incurred transportation charges of Nu.0.023 million for the transportation of pipes valuing Nu.0.006 million from Phuentsholing to Menbi Gewog, which was not reasonable. No action had been taken on the unjustified payment.

Who is accountable?

Tshulthrimla, Gup

6.40 Gewog Administration under Trongsa Dzongkhag

Tangsibi Gewog

The Royal Audit Authority during the year had issued one inspection report in respect of the Gewog Administration, Tangsibi and total unresolved significant irregularities amounted to Nu.0.601 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.197 | 1 & 2 |
| 2 | Shortfalls, lapses and deficiencies | 0.404 | 5 |
| | Total | 0.601 | |

1. Payments for works not executed – Nu. 0.197 million (Para No. 8)

The Gewog Administration had paid Nu.0.197 million to the contractor for the construction of dinning hall cum kitchen at Kela Community School for works actually not executed as confirmed during physical verification. No action was taken for the payment made for works not executed.

Who is accountable?

Tenzin Duba, Gup

2. Other irregularities in advances – Nu. 0.404 million (Para No.4)

The Gewog had adjusted Nu.0.404 million against the Officer In-charge, Central Machinery Unit, Bumthang towards hire charges of machinery for the construction of Tshangkha farm road without any supporting documents. No action had been taken for payment without supporting documents.

Who is accountable?

Tenzin Duba, Gup

JUDICIARY

6.41 Royal Court of Justice, Samdrup Jongkhar

The Royal Audit Authority during the year had issued one inspection report in respect of the Royal Court of Justice, Samdrup Jongkhar and total unresolved significant irregularities amounted to Nu.0.295 million as summarized below:

Table showing summary of observation with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category Code |
|---------|---|--------------|---------------|
| 1 | Fraud, Corruption and Embezzlement | 0.252 | 1 & 2 |
| 2 | Violation of Laws, Rules and Regulation | 0.043 | 4 |
| | Total | 0.295 | |

1. Fraud, Corruption and Embezzlement – Nu.0.252 million

The Royal Court of Justice, Samdrup Jongkhar had cases of fraud, corruption and embezzlement aggregating to Nu.0.252 million as summarized below:

Table showing summary of misuse of revenue (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|-----------------------------|--------------|----------|---------------------------|
| 1.1 | Misuse of revenue | 0.085 | 1.1 | Prem Bdr. Rai, Accountant |
| 1.2 | Misuse of defendant's money | 0.167 | 1.2 | Prem Bdr. Rai, Accountant |
| | Total | 0.252 | | |

The cases are explained hereunder:

1.1 *Misuse of revenue - Nu. 0.085 million*

Revenue amounting to Nu.0.085 million was found misused by the Accountant of the Dzongkhag Thrimkiduensa, Samdrup Jongkhar against which Nu.0.068 million was deposited leaving a balance of Nu.0.017 million. No action had been taken for the misuse of funds.

1.2 *Misuse of defendant's money- Nu.0.167 million*

The Bench Clerk of the Dzongkhag Thrimkiduensa, Samdrup Jongkhar misappropriated Nu.0.167 million from the money held on behalf of the plaintiff/defendant. The Court informed that whole of the amount was recovered from the bench clerk and amount disbursed to the relevant plaintiff/defendant. No actions had been taken for the misuse of funds.

2 **Violation of Laws, Rules and Regulations – Nu. 0.043 million (Para No. 1.5)**

A sum of Nu.0.043 million was shown as spent without the approval of the Head of the office and also without any supporting documents. The Head of the office confirmed that no justifications were forthcoming from the Accountant and agreed to recover the amount from the accountant.

Who are accountable?

- a) Prem Bdr. Rai, Accountant, and
- b) Drangpon Tshering Wangchuk (supervisory)

6.42 Royal Court of Justice, Gelephu

The Royal Audit Authority during the year had issued one Inspection Report in respect of the Royal Court of Justice, Gelephu. Significant unresolved irregularities were as summarized below:

Table showing summary of observation with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category Code |
|---------|---|----------|---------------|
| 1 | Violations of Laws, Rules and Regulations | - | 4 |
| | Total | - | |

1. Violation of Laws, Rules & Regulations

The Royal Court of Justice, Gelephu, had cases of violation of Laws, Rules & Regulations as summarized below.

Table showing summary of violation of Laws, Rules and Regulations

| Sl. No. | Observation in brief | Amount | Para No. | Who is Accountable? |
|---------|-------------------------------------|--------|----------|---|
| 1.1 | Irregularities in land transactions | - | 1.1 | Wangchuk Dukpa, Drangpon, and Dawa, Clerk |
| 1.2 | Irregular land transfer | - | 1.3 | Wangchuk Dukpa, Drangpon |

The cases are explained below:

1.1 Irregularities in land transaction

Late Jai Bahadur Rai, grand father of Purna Bahadur Rai had 18.33 acres of land under Thram No.123 and House No. PA-1-62. As per the land share agreement executed between Purna Bahadur Rai and Nar Bahadur Rai who was reported as younger brother of Purna Bahadur Rai, the former was given 12.33 acres of land as his share.

Purna Bahadur Rai tried to sell 2 acres of his land share to Karna Bahadur Rai in 2003. However, the sale deed executed between two parties on 27/11/2003 was rejected by the Dungkhang Court vide its verdict No. 1686 of 11/12/2003 on the ground that the land was not registered in the name of the seller, Purna Bahadur Rai. However, less than 5 months of its rejection, the same seller was able to sell 7.68 acres of land from the same thram vide court verdict No. 1806 of 3/5/2004 and 1792 of 22/4/2004 to Tukumo, wife of Drangpon and (5.68 acres) and Dawa, Clerk (2 acres) respectively.

Soon after approving the sale of 7.68 acres of land, the Dungkhang Court also approved transfer of all the remaining land of 10.65 acres from Nar Bahadur Rai to Purna Bahadur Rai vide its Court verdict No. 1872 of 4/6/2004, leaving younger brother Nar Bahadur Rai without any land in his name. Thus the land share agreements between two brothers approved vide verdict No. 1872 of 4/6/2004 was proved to be unfounded.

Further, the existence of Nar Bahadur Rai is questionable on the following reasons:

- ✍ As per letter No. Sardzong/Mitsi-11-03/5523 of 31/3/2004 and Sardzong/Mitsi-11-03/6193 of 12/4/2005 of the Census Officer of the Dzungkhag Administration, Sarpang, Nar Bahadur Rai did not exist under the House No. PA-1-162 and Thram No.123.
- ✍ The statement of the Tshogpas of Bhur Gewog of 10/2/2004 also did not mention about Nar Bahadur Rai's relationship with late Jai Bahadur Rai.

1.2 Irregular land transfer

The legal owner of land under thram no. 252 was Sanman Damai. After his demise his son Karna Bahadur Damai sold the land to Phub Tenzin, Gelephu Chimi. As explained by Gelephu Gup, it was known that the said land was left idle since 1993 to 2003 without paying legal land tax. The land was still registered in the name of late Sanman Damai and the ownership had not been transferred to his son. There was no rationale in accepting the sale of land which was left idle for ten years without paying the tax. Besides, the land was also not registered in the name of the seller. Furthermore, the sale deed was not signed by the Gup, Gelephu.

AUTONOMOUS BODIES

6.43 Royal University of Bhutan

Sherubtse College, Kanglung

The Royal Audit Authority during the year had issued one inspection report in respect of the Sherubtse College, Kanglung and total unresolved significant irregularities amounted to Nu.0.851 million as summarized below:

Table showing cases of shortfalls, lapses and deficiencies (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category Code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.851 | 4 |
| | Total | 0.851 | |

1. Inadmissible payment -Nu. 0.851 million (Para No.1.1)

As per the Terms and Conditions of Indian Lecturers appointed on deputation in Sherubtse College, Bhutan, the Colombo Plan Lecturers were entitled to draw Bhutan Compensatory Allowance (BCA) at the rates to be decided by the Ministry of External Affairs, Government of India from time to time. The BCA was inclusive of the provision on account of the employment of two full time local servants at the rate of Rs. 5,456.00 each for the lecturers drawing basic pay of Rs. 12,000.00 and above and two full time local servants @ Rs. 3,410.00 p.m. for the lecturers drawing a basic pay of less than Rs. 12,000.00 p.m. The payments of wages for the servants were subject to certification by the concerned offices.

However, ignoring the requirement stipulated in the Terms & Conditions the teachers were paid full BCA without producing requisite certificates evidencing engagement of servants.

No actions were taken on the above observations.

Who are accountable?

- a) Jagar Dorji, Principal, and
- b) Sonam, Chief Accountant

CORPORATIONS, FINANCIAL INSTITUTIONS AND NGOS

CORPORATIONS

The Royal Audit Authority during the year had issued 38 inspections reports in respect of the Corporations and reported total unresolved significant irregularities of Nu.19.846 million. The details of the findings were as below:

6.44 Bhutan Broadcasting Service Corporation Ltd.

The Royal Audit Authority during the year had issued one Inspection Report in respect of the Bhutan Broadcasting Service Corporation Ltd and total unresolved significant irregularities amounted to Nu.0.638 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category Code |
|---------|----------------------|--------------|---------------|
| 1 | Outstanding advances | 0.638 | 5 |
| | Total | 0.638 | |

1. Non-adjustment of advances– Nu. 0.638 million (Para No. 6.1.1)

BBSCL had outstanding advances aggregating to Nu.1.813 million against officials, suppliers, contractors and others. The accumulations of advances against the officials and staff were due to granting of additional advances prior to liquidation of previous advances. Out of Nu.1.813 million, a sum of Nu.1.175 million was reported as adjusted and recovered leaving a balance of Nu.0.638 million

Who are accountable?

- a) Ashok Moktan, GM, FCD, and
- b) Tshewang Rinzin, Finance Manager.

6.45 Bhutan Postal Corporation Limited

The Royal Audit Authority during the year had issued one Inspection Report in respect of Bhutan Postal Corporation Limited. The total unresolved significant irregularities of the Corporation amounted to Nu. 1.486 million as summarized below:

Table showing summary of observation with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category Code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption and Embezzlement | 0.036 | 1 & 2 |
| 2 | Mismanagement | 0.131 | 3 |
| 3 | Shortfalls, lapses and deficiencies | 1.319 | 5 |
| | Total | 1.486 | |

1. Cash shortages - Nu.0.036 million (Para No. 1.2)

Against the closing balance of Nu.0.630 million under the Western Union General Cash book, actual physical cash in various denominations including coins and stamps, etc; found was Nu.0.594 million only resulting to cash shortage of Nu.0.036 million. The amount was subsequently recouped as noted from the Charge report dated 26/12/2006. No action was taken for the cash shortages.

Who is accountable?

Passang Tshering, WUMT, Thimphu

2. Loss due to non-occupation of quarters- Nu.0.131 million (Para 2.13.3)

There was a revenue loss of Nu. 0.131 million due to non occupation of the building units and quarters of the Branch Office, Phuentsholing during the calendar year 2004 and 2005. The Corporation accepted the non-occupation and reported that despite announcement made the quarters had remained unoccupied.

Who are accountable?

- a) Samten Wangchuk, Dy. Chief Post Master, and
- b) Sangay Norbu, General Manager

3. Shortfalls, lapses and deficiencies – Nu. 1.319 million

The Bhutan Postal Corporation Ltd had cases of shortfalls, lapses and deficiencies aggregating to Nu.1.319 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|---|--------------|----------|---|
| 3.1 | Non-levy of liquidated damages | 0.120 | 1.8.1 | Karma Tshering, General Manager |
| 3.2 | Non levy of 25% charges & short remittances | 0.061 | 1.3.4 | Passang Tshering, WUMT, Thimphu, and Chewang Gomdar, CEPM |
| 3.3 | Double booking of payments against inbound transactions | 0.029 | 1.3.7.2 | Passang Tshering, WUMT, Thimphu, and Chewang Gomdar, CEPM |
| 3.4 | Short deposit of FMO and EMO | 1.109 | 2.5 | Samten Wangchuk, Dy. Chief Post Master, and Sangay Norbu, General Manager |
| | Total | 1.319 | | |

The cases are explained hereunder:

3.1 Non-levy of liquidated damages - Nu.0.120 million

The STCBL had supplied vehicles only on 9/7/2005 as against the stipulated delivery date of 12/1/2005 thus delaying by 178 days. However, the Management had failed to levy liquidated damages of Nu. 0.120 million as per the procurement norms apparently due to non-inclusion of penalty clause in the supply order.

3.2 Non levy of 25% charges -Nu. 0.061 million

The Bhutan Postal Corporation Ltd had not levied 25% commission on outbound transactions amounting to Nu.0.061 million for the year 2004.

3.3 Double booking of payments against inbound transactions - Nu. 0.029 million

General Cash Book, maintained by the Western Union Section, Bhutan Postal Corporation Ltd for the period covered 1/1/2004 to 31/12/2005 revealed that the payments aggregating to Nu.0.082 million made to the beneficiaries were booked twice thereby understating the cash closing balance to that extent. Out of Nu.0.082 million, Nu.0.053 million was reported as recovered leaving a balance of Nu.0.029 million.

3.4 Short deposit of FMO/EMO - Nu. 1.109 million

The Current Deposit Account No.37 of Bhutan Postal Corporation Ltd, Phuenstsholing Branch maintained with the BOBL, P/ling revealed deposit of Nu. 26.453 million only against the total collections of Nu. 27.562 million resulting to short deposit of Nu.1.109 million. The Corporation reported that the matter was being investigated.

6.46 Bhutan Power Corporation Ltd (BPCL)

The Royal Audit Authority had during the year issued fourteen Inspection Reports in respect of Bhutan Power Corporation Ltd (BPCL) which included Central Stores, various Electricity Services Divisions and the Central Maintenance and Training Division and total unresolved significant irregularities amounted to Nu.0.045 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category Code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.045 | 5 |
| | Total | 0.045 | |

1. Shortfalls, lapses and deficiencies – Nu. 0.045 million

The Bhutan Power Corporation had cases of shortfalls, lapses and deficiencies aggregating to Nu.0.045 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--------------------------------------|--------------|----------|---|
| 1.1 | Non-imposition of liquidated damages | 0.017 | 4 | Chokey Dorji, Manager, Nim Dorji, Senior Manager |
| 1.2 | Excess payments | 0.028 | 1.2.1 | Sonam Rinzin, Site Engineer |
| | Total | 0.045 | | |

The cases are explained hereunder:

1.1 Non-levy of liquidated damages – Nu. 0.017 million

A total of seven suppliers had failed to supply the electrical goods within due dates for which liquidated damages aggregating to Nu.0.017 million were not levied.

1.2 Excess payments - Nu. 0.028 million

The Power Transmission & Construction Division, Gelephu had paid Nu. 0.036 million for items of works which were either not executed or executed less in the construction of Watch Tower with transit room and septic tank. Out of Nu.0.036 million, a sum of Nu.0.007 million was recovered leaving a balance of Nu.0.028 million.

6.47 Food Corporation of Bhutan Limited (FCBL)

The Royal Audit Authority during the year had issued two inspection reports pertaining to the Food Corporation of Bhutan Ltd (FCBL) which included FCBL, Head Office, Phuentsholing and FCBL, Samdrup Jongkhar. The total unresolved significant irregularities of the Corporation amounted to Nu.4.759 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category Code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption and Embezzlement | 0.568 | 1 & 2 |
| 2 | Shortfalls, lapses and deficiencies | 4.191 | 5 |
| | Total | 4.759 | |

1. Fraud, Corruption and Embezzlement – Nu. 0.568 million

The FCB, Samdrupjongkhar had cases of fraud, corruption and embezzlement aggregating to Nu 0.568 million as summarized below:

Table showing summary of fraud, corruption and embezzlement (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|----------------------------|--------------|----------|---|
| 1.1 | Fictitious expenditures | 0.283 | 1 | Gangchuk Dukpa, Regional Manager, Karma Tshering, ex FCB staff |
| 1.2 | False claims | 0.048 | 2 | Gangchuk Dukpa, Regional Manager, Karma Tshering, ex FCB staff |
| 1.3 | Falsification of purchases | 0.237 | 3 | Gangchuk Dukpa, Regional Manager, S/Jongkhar |
| | Total | 0.568 | | |

The cases are explained hereunder:

1.1 Fictitious transportation charges– Nu. 0.283 million

129 metric tones of 551 rice sold by Khangma and Mongar FCB depots were shown as transported back and sold at the selling price applicable in Samdrup Jongkhar. Besides non-accountal of the difference in the sale proceeds of Nu.0.145 million, fictitious transportation charges of Nu.0.138 million were claimed by the management. No adequate action was taken for the fictitious payments.

1.2 False transportation claim - Nu. 0.048 million

The management of FCBL, Samdrup Jongkhar manipulated records by showing 150 metric tones of Wheat as imported from the FCI, Guwahati and booked fictitious transportation charges of Nu.0.048 million. As cross

verified with the records of Indo Bhutan Customs Check Post no such imports were made by the FCBL, Sandrup Jongkhar. The consignment was recorded as sold at the rates applicable to the FCBL, Sandrup Jongkhar. No adequate action was taken for the fictitious payments.

1.3 Irregular purchase of Moong Dal –Nu.0.237 million

The FCBL S/Jongkhar had recorded purchase of 10 metric tones Moong Dal valuing Nu.0.237 million from M/s Bartsam Tshongkhang, S/Jongkhar vide Cash Memo No.15 dated 22/4/2002. As the food commodity in question was not grown in Bhutan, the RAA's enquiry to confirm the import by M/s Bartsam Tshongkhang at the Customs check post showed no such transactions. No adequate action was taken for the irregular purchases.

2. Shortfalls, lapses and deficiencies- Nu. 4.191 million

The FCBL had cases of shortfalls, lapses and deficiencies aggregating to Nu.4.191 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--|--------------|----------|--|
| 2.1 | Deficiencies on Auction Yard Revolving Fund and unjustified accumulation of advances | 3.230 | 1 | Sangay Wangdi, Complex Manager, and Kunzang Namgyel, Managing Director |
| 2.2 | Loss sustained by the Corporation on maize operation | 0.961 | 2 | Sangay Wangdi Cash Crop In-charge, and Kunzang Namgyel, MD |
| | Total | 4.191 | | |

The cases are explained hereunder:

2.1 Deficiencies on Auction Yard Revolving Fund operations and unjustified accumulation of advances - Nu.3.230 million

The FCBL had paid Nu.10.400 million to potato farmers on behalf of the Indian buyers during the 2005 season. Neither there were any legal agreements executed between the FCBL and the buyers nor any collateral security were obtained for extending the credit facilities there by exposing the Corporation to possible risks. Amounts aggregating to Nu.3.230 million were recoverable from the parties although the potato season and the grace period of one month allowed were over. Interest of Nu.0.032 million was not charged for the period delayed from two buyers who had repaid the principal amounts. Despite pointing out similar lapse in the audit report for the year 2002-2003, the management did not take proper measures to safeguard the interest of the Corporation.

2.2 *Loss sustained by the Corporation on maize operation -Nu. 0.961 million*

As directed by the Board, the FCBL had been purchasing surplus maize from the farmers in order to help them market their surplus produce. As against purchase price of Nu.6.50 per Kg, the Corporation had been selling it through auction at Nu. 4.00 per Kg due to which FCBL had sustained a loss of Nu.0.961 million in maize operation.

6.48 Kuensel Corporation Ltd.

The Royal Audit Authority during the year had issued one inspection report of Kuensel Corporation Ltd., and total unresolved significant irregularities amounted to Nu.11.168 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category Code |
|---------|--|---------------|---------------|
| 1 | Violation of Laws, Rules and Regulations | 2.237 | 4 |
| 2 | Shortfalls, lapses and deficiencies | 8.931 | 5 |
| | Total | 11.168 | |

1 **Violation of Laws, Rules and Regulations – Nu. 2.237 million**

The Kuensel Corporation Ltd., had cases of Violation of Laws, Rules and Regulations aggregating to Nu.2.237 million as summarized below:

Table showing summary of violation of Laws, Rules and Regulations (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|--------------------------------------|--------------|----------|---|
| 1.1 | Direct award of work | 1.603 | 1.1 | Thinley Namgyel, Procurement Manager, and Chencho Tshering, DMD |
| 1.2 | Non Renewal of performance guarantee | 0.634 | 1.2 | Thinley Namgyel, Procurement Manager, and Chencho Tshering, DMD |
| | Total | 2.237 | | |

The cases are explained hereunder:

1.1 *Procurement without tender – Nu. 1.603 million*

The Kuensel Corporation Ltd. had directly awarded the transportation contract amounting to Nu. 1.507 million to M/s ABC India Ltd. without tenders thereby depriving the Corporation of the benefits of competitive rates. Similarly, air ticket costing Nu.0.096 million were purchased without calling quotations.

1.2 *Non renewal of performance guarantee - Nu. 0.634 million*

M/s Yangtag Construction who was awarded the construction work of branch office of Kuensel Corporation Ltd at Kanglung for Nu. 4.617million had furnished performance guarantee of Nu.0.634 million as against Nu. 0.693 million (Nu. 4,617,302.35 X 15%) resulting in short deposit of performance guarantee by Nu.0.059 million. Further, performance guarantee valid till 23rd June 2005 was not renewed though the submission of the final bills was pending as of 23.5.2006.

Kuensel Corporation had not taken actions on the above observation.

2. **Shortfalls, lapses and deficiencies- Nu. 8.931 million**

The Kuensel Corporation Ltd., had cases of shortfalls, lapses and deficiencies aggregating to Nu.8.931 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| SL. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|------------------------------|--------------|----------|---|
| 2.1 | Frequent payment of advances | 5.048 | 2.1.1 | Thinley Namgyel, Procurement Manager, and Chencho Tshering, DMD |
| 2.2 | Outstanding advances | 3.883 | 6.2.2 | Thinley Namgyel, Procurement Manager, and Chencho Tshering, DMD |
| | Total | 8.931 | | |

The cases are explained hereunder:

2.1 *Excessive advances granted to contractor- Nu. 5.048 million*

The Contractor for the construction of Branch Office of Kuensel Corporation Ltd. at Kanglung was frequently paid secured advances and advances against running bills that too mostly on photocopied bills. As against total contract value of Nu.4.617 million advances aggregating to Nu.5.048 million were paid to the Contractor.

2.2 *Outstanding advances - Nu. 3.883 million*

Advances amounting to Nu.3.883 million were lying outstanding against the official on account of stipends, tuitions fee, and air tickets etc. The Kuensel Corporation had not taken effective actions to liquidate the advances.

6.49 Penden Cement Authority Limited (PCAL), Gomtu

The Royal Audit Authority during the year had issued one Inspection Report in respect of the Penden Cement Authority Limited and the total unresolved significant irregularities amounted to Nu.1.544 million as summarized below:

Table showing summary of observation with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category Code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Mismanagement | 0.040 | 3 |
| 2 | Shortfalls, lapses and deficiencies | 1.504 | 5 |
| | Total | 1.544 | |

1. Payments made without receipt of items - Nu. 0.040 million (Para No. 5)

A sum of Nu.0.040 million paid to M/s TEE ARR Enterprise, Phuentsholing in January 2003 for the supply of tyres had remained unadjusted as neither the tyres were supplied nor the amount refunded to the PCAL. The matter had now been referred to the Royal Court of Justice, Samtse.

Who is accountable?

Sherub Tenzin, Manager.

2. Shortfalls, lapses and deficiencies –Nu.1.504 million

The PCAL had cases of shortfalls, lapses and deficiencies amounting to Nu.1.504 million as summarised below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|-----------------------------------|--------------|----------|--|
| 2.1 | Over payment of DSA | 0.155 | 16 | S.R.Maity, Sr. General Manager and Alok Dutta, Dy. General Manger |
| 2.2 | Irregularities in payment of fees | 0.115 | 19 (a) | Tshering Dorji, Dzongkha PA |
| 2.3 | Non-levy of penalty | 1.234 | 13 | S.R.Maity, Sr. General Manager, and Alok Dutta, Dy. General Manger |
| | Total | 1.504 | | |

The cases are explained hereunder:

2.1 Over payment of DSA – Nu. 0.155 million

The PCAL had been following the RGoB rules for payment of DSA and other expenses in respect of foreign travels. The officials were paid incidental expenses and taxi hire charges in addition to full DSA which was not covered by the foreign travel rules resulting to excess, double and inadmissible payments of Nu.0.211 million. Out of Nu.0.211 million, a sum of Nu.0.056 million has been recovered leaving a balance of Nu.0.155 million.

2.2 Irregularities in payment of fees - Nu. 0.115 million

The PCAL had paid a total sum of Nu.0.399 million to Karma Sonam, Jabmi C/o M/s Dechog Legal Counsel and Services, (DLCS) Thimphu representing the PCAL on the unresolved case against M/s Barma Transport as realization fees. As per the approval of the Board, Jabmi was entitled for Nu.0.284 million based on the Court verdict. As on dates of audit, the case was still pending and a sum of Nu.0.115 million paid over and above the amount approved by the Board stood recoverable from the Jabmi.

2.3 Non-levy of penalty – Nu. 1.234 million

The PCAL had not levied penalty amounting to Nu.1.234 million during the period 1st January to 2003 to 30th April 2004 as per supply terms and conditions for the supply of coal by M/s Eastern Bhutan Coal Company (EBCC), Samdrup Jongkhar.

6.50 State Trading Corporation of Bhutan Ltd.

The Royal Audit Authority during the year had issued one inspection report in respect of the State Trading Corporation of Bhutan Limited (STBCL), Phuentsholing. The total unresolved significant irregularities of the Corporation amounted to Nu.0.206 million as summarized below:

Table showing summary of observation with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category Code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses and deficiencies | 0.206 | 5 |
| | Total | 0.206 | |

1. Shortfalls, lapses and deficiencies – Nu.0.206 million

The STCBL had cases of shortfalls, lapses and deficiencies amounting to Nu.0.206 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who are accountable? |
|---------|-------------------------------------|--------------|----------|--|
| 1.1 | Less receipt of Eicher spares parts | 0.040 | 11 | A. Roy Chowdhury, CFO |
| 1.2 | Shortage/excess of store items | 0.166 | 18 | Tshering Dorji, Manager and Karma Gyeltshen, Regional Manager, |
| | Total | 0.206 | | |

The cases are explained hereunder:

1.1 Less receipt of Eicher spare parts– Nu. 0.040 million

The STCBL had made full payments to the supplier although the spare parts for Eicher worth Nu.0.040 million were either not received or received in damaged condition.

1.2 Shortage/excess of store items– Nu. 0.166 million

Stock verification of Auto Division for imported spares noted shortages and excesses of items valuing Nu.0.166 million. STCBL had not taken proper actions on the above observations.

FINANCIAL INSTITUTIONS

The Royal Audit Authority during the year had issued 15 inspections reports in respect of the Financial Institutions and reported total irregularities of Nu.49.342 million. The details of the findings were as below:

6.51 Bhutan Development Finance Corporation Ltd.

The Royal Audit Authority during the year had issued six Inspection Reports in respect of the Bhutan Development Finance Corporation Ltd. (BDFCL) which included the head office, Thimphu and branch offices of Trashigang, Trashiyangtse, Samdrup Jongkhar, Pemagatshel and Punakha. The total unresolved significant irregularities aggregated to Nu.2.379 million as summarized as below:

Table showing summary of observation with category code and amount involved (Nu. in million)

| Sl. No. | Observations in brief | Amount | Category Code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption and Embezzlement | 0.858 | 1 & 2 |
| 2 | Shortfalls, lapses and deficiencies | 1.521 | 5 |
| | Total | 2.379 | |

1. Misappropriation of Credit Fund – Nu.0.858 million (Para No.1)

As observed from the internal audit report No.BDFCL/IA/33/2005/3017 dated 20.09.05 Tshering Lhendup (DCA), Sonam Dhendup (DCO), Sangay Wangmo (DCA) and Karma Jigme (B) (TO) of BDFCL Branch Office, Trashiyangtse had misappropriated the credit fund amounting to Nu. 0.858 million out of which Nu. 0.019 million was recovered leaving a balance of Nu. 0.839 million which is recoverable from Tshering Lhendup.

The Management stated that the case is under appeal in the High Court.

Who are accountable?

- a) Sangay Wangmo (DCA);
- b) Karma Jigme (B) (TO);
- c) Tshering Lhendup, Ex-DCA, and
- d) Sonam Dhendup, Branch Manager

2. Shortfalls, lapses and deficiencies – Nu. 1.521 million

The Bhutan Development Finance Corporation Ltd., had cases of shortfalls, lapses and deficiencies amounting to Nu.1.521 millions as summarized in the table below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

| Sl. No | Agency | Observations in brief | Amount | Para No. | Who are accountable? |
|--------|----------------|--|--------------|----------|--------------------------------|
| 2.1 | BDFCL, HQ | Non-renewal and non-availability of Insurance Policy | - | 4 | Ugyen Dhendup, Gen. Manager |
| 2.2 | BDFCL, HQ | Irregular sanction of Loan | 0.441 | 2 | Namgay Dorji, Legal Manager |
| 2.3 | BDFCL, Punakha | Loans not recovered for long period of time | 0.119 | 1 | Yeshey Samdrup, Branch Manager |
| 2.4 | BDFCL, Punakha | Loans installments not recovered in time | 0.961 | 2 | -do- |
| | Total | | 1.521 | | |

The cases are explained hereunder:

1.1 Non-renewal and non-availability of Insurance Policy

The collaterals for some of the loans sanctioned were either not insured or expired. The Management stated that despite making concerted efforts, only two clients had submitted the insurance paper and rest have been served the final reminder.

2.2 Irregular sanction of loan – Nu. 0.441 million

The BDFCL management had sanctioned a loan of Nu.0.500 million for expansion of a shop and restaurant cum bar. The loan was secured by two houses located at Bjeezam, Trongsa. However, the securities pledged against the above loan were in joint ownership with the husband of the borrower. The same securities were pledged with the BNBL also for loan availed by the husband with overdue loan of 37 months with a total loan outstanding of Nu.0.423 million.

Despite the reminder letters served by the BDFCL management the client had failed to regularize her loan account. The loan balance as of 24.05.2006 stood at Nu.0.441 million.

2.3 Loans not recovered for long period of time – Nu. 0.119 million

BDFCL Branch Office, Punakha had not recovered the loan outstanding amounting to Nu.0.110 million from various clients. Further, Small Individual Loan (SIL) of Nu.0.009 million disbursed to a client during the year 1991 and 1992 were not recovered so far.

2.4 Loans installments not recovered in time – Nu. 0.961 million

BDFCL Branch Office, Punakha had 332 clients who didn't repay the installments in time and the cases had been forwarded to the court for realization. Against the total recoverable loan of Nu.1.356 million, Nu. 0.395 million were recovered leaving a balance of Nu.0.961 million.

6.52 Bhutan National Bank Ltd. (BNBL)

The Royal Audit Authority during the year had issued two Inspection Reports in respect of the Bhutan National Bank Ltd. (BNBL) which included the head office, Thimphu and its branch office, Trashigang. The total unresolved significant irregularities aggregated to Nu.1.860 million as summarized below:

Table showing summary of observation with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|--|--------------|---------------|
| 1 | Violation of Laws, Rules and Regulations | 1.160 | 4 |
| 2 | Shortfall, lapses and deficiencies | 0.700 | 5 |
| | Total | 1.860 | |

1. Violation of Acts – Nu.1.160 million (Para No.1.1)

Loans aggregating to Nu.1.160 million were sanctioned against the security of its own share, in violation to Article 46 of the Financial Institutions Act 1992 and Section 29(2) of the Companies Act of the Kingdom of Bhutan 2000.

The Management reported that BNBL has since stopped financing of such nature.

Who are accountable?

- a) Sonam Penjor, General Manager, and
- b) Credit Committee.

2. Irregular sanctioning of industrial loan – Nu.0.700 million (Para No. 1.7)

The Management had failed to carry out due diligence in the process of sanctioning and management of industrial loan of Nu.0.700 million sanctioned for Biomass Waste Briquette Unit to a private party. Lapses included non-submission of trade license, submission of project evaluation report pertaining to Biomass Waste Briquette project of the NWAB, acceptance of husband of the borrower as witness to loan agreement and mortgage deed, lack of evidence of having established the Briquette Unit even after lapse of one year and production of BST exemption certificate pertaining to the exemption granted to UNDP Wood Conservation Project.

Who are accountable?

- a) Dorji Cheten, Appraisal Officer, and
- b) Sonam Penjor, General Manager.

6.53 Bank of Bhutan Ltd. (BOBL)

The Royal Audit Authority during the year had issued four Inspection Reports in respect of the Bank of Bhutan Ltd. (BOBL) which included the head office, P/ling and the branch offices of Gelephu, Wangdue and Pemagatshel. The total unresolved significant irregularities aggregated to Nu. 25.399 million as summarized as below:

Table showing summary of observation with category code and amount involved (Nu. in million)

| Sl. No. | Observation in brief | Amount | Category code |
|---------|--|---------------|---------------|
| 1 | Fraud, Corruption & Embezzlement | 0.180 | 1 & 2 |
| 2 | Violation of Laws, Rules and Regulations | 8.000 | 4 |
| 3 | Shortfalls, lapses and deficiencies | 17.219 | 5 |
| | Total | 25.399 | |

1. Misappropriation of private money - Nu.0.180 million (Para 1.2)

An ex-employee of Bank of Bhutan Ltd., Wangdue had embezzled Nu.0.180 million from two Savings Accounts (SB A/C No. 1094 and SB A/C No. 1013). As per the verdict passed by the Royal Court of Justice, Wangdue, the incumbent was instructed to deposit the amounts at a monthly installment of Nu. 3,000.00.

Who is accountable?

Wangdi Tshering, Senior Manager

2. Procurement of stationery without quotation – Nu.8.000 million (Para 3.1)

The Bank of Bhutan Ltd had procured stationery worth Nu.8.000 million without inviting open tenders. It was noted that in all cases, the rates were invited through limited enquiry where only a few suppliers were asked to submit their rates.

The BoBL had reported that since 2006, the procurement of stationery are made as per the RGoB Procurement Manual.

Who are accountable?

- a) Tshering Dorji, MD;
- b) Pasang Tshering, DMD;
- c) G.P. Sharma, DMD, and
- d) Bimala Gurung, Company Secretary

3. Shortfalls, lapses and deficiencies – Nu. 17.219 million

The BOBL, Hq. had cases of shortfalls, lapses and deficiencies amounting to Nu.17.219 million as summarized in the table below:

Table showing summary of shortfall, lapses and deficiencies (Nu. in million)

| Sl. No. | Observations in brief | Amount | Para No. | Who are accountable? |
|---------|--|--------|----------|---|
| 3.1 | Irregular sanctioning of housing loan | 3.813 | 1.4 | Karma Dema, Credit Officer, CID, & B.B Chawan, Dy. Manager, CID. |
| 3.2 | Irregular sanctioning of housing loan | 3.565 | 1.11 | T.S Suresh Babu, Credit Officer, and Ugyen Wangdi, Credit Head. |
| 3.3 | Inadequate documentation and other irregularities | 5.113 | 1.5 | Karma Dema, Credit Officer, CID, & B.B Chawan, Dy. Manager, CID. |
| 3.4 | Defaulted loan account | 2.500 | 1.9 | K.R Gurung, Credit Officer, CID, and Ugyen Wangdi, Credit Head, CID. |
| 3.5 | Sanctioning of loan above 75% for purchase of second hand vehicles | 0.777 | 1.14 | Ugyen Wangdi, Acting General Manager and G.P Sharma, Dy. Managing Director, Credit Operation. |

| | | | | |
|-----|---|---------------|-----|---|
| 3.6 | Unjustified time extension and exemption of penalty | 1.137 | 2.1 | Tshering Dorji, Managing Director, Pasang Tshering, DMD, G.P Sharma, DMD, Bimla Gurung, Company Secretary, Janga Rana, AO, Sonam Gyeltshen, Head IT, and Ugyen Wangdi, Credit Head. |
| 3.7 | Inadmissible payment of DSA | 0.314 | 3.2 | Janga Rana, AO, P. Murugan, OG-I and Pasang Tshering, Dy. Managing Director. |
| | Total | 17.219 | | |

The cases are explained hereunder:

3.1 Irregular housing loan – Nu.3.813 million

A housing loan of Nu.1.500 million was sanctioned to a client facilitating transfer of loan Account with the BNBL to the BOBL. The said loan was sanctioned without depreciating the building pledged as collateral security while deriving the loan permissible limit. Further, an additional MTL loan of Nu.1.000 million was sanctioned for the renovation of the above building. However, the loan amount was utilized to regularize the term expired loan Account of the husband of the client instead of renovating the house for which the loan was sanctioned. Against the same collateral, there were four loan accounts with total loan balance of Nu. 4.758 million.

The BoBL had reported that only one account was irregular with Nu. 0.058 million and total outstanding balance had reduced to Nu.3.813 million.

3.2 Irregular sanctioning of housing loan – Nu.3.565 million

A housing loan of Nu.3.300 million and personal loan of Nu.2.200 million sanctioned to a client being 100% of the value of the collateral of Nu. 5.500 million instead of 60%. Moreover, the value of the land located at Paro was considered at Nu. 1,300.00 per sqft which appeared very high. Documents pertaining to extension of mortgage security to other properties of the client stated to be valued at Nu.11.696 million were not produced.

The BoBL had reported that the total outstanding balance had reduced to Nu. 3.565 million from Nu. 5.500 million.

3.3 Inadequate documentation and other irregularities – Nu. 5.113 million

The BOBL had sanctioned a loan of Nu.5.500 million to a client for the purpose of purchasing a plot of Land measuring 1536 sqft along with a 5 storied building on Plot # 83 at Lower Market, P/Ling, without obtaining the required documents viz. the ownership certificate and the mortgage deeds. The sum insured was to the extent of the loan amount granted indicating that the value of the building was Nu.5.500 million only.

Therefore, the 40% equity contribution by the borrower was not contributed and thus the management had sanctioned 100% of the loan amount.

As reported that present position of the loan amount is Nu.5.113 million.

3.4 *Defaulted loan account – Nu.2.500 million*

The management had failed to carry out due diligence in the process of sanctioning of miscellaneous overdraft limit of Nu.2.500 million to a Construction Company who was a defaulting client of another Financial Institution without due regard for prudence and exposed the BNBL to risks. The case was referred to the Court and the borrower had failed to deposit the requisite installments as determined by the Court.

3.5 *Sanctioning of loan above 75% – Nu. 0.777 million*

Vehicle loans were sanctioned based on the Workshop's valuation resulting into over financing of the vehicle over the insured value. In most cases, the sum insured were much lower than the workshops' valuation. Sanctioning of the loan based on the valuation of the Workshops had resulted in sanctioning loans in excess of the permissible limit of 75% as per the RMA Prudential Guidelines.

The Management reported that out of four cases, one case was closed and rests are regular.

3.6 *Unjustified time extension and exemption of penalty – Nu.1.137 million*

The BOBL management had granted unjustified time extension to the Contractor for the construction of BOBL, Head Office owing to the climatic conditions. Consideration was given for the delay caused by the rain during monsoon season from 1/2 hour in a day to full day. The number of days considered due to rainfall had been calculated as 96.31 days and the financial implication on account of the liquidated damages amounted to Nu.1.137 million.

3.7 *Inadmissible payment of DSA – Nu.0.314 million*

Inadmissible DSA amounting to Nu.0.314 million were paid to the officials and staffs of the BOBL which were in violation to the applicable norms.

Adequate actions on the above observations were lacking.

6.54 Royal Insurance Corporation of Bhutan (RICBL)

The Royal Audit Authority during the year had issued three Inspection Reports in respect of the Royal Insurance Corporation of Bhutan Ltd. (RICBL) which included the Head Office, P/ling and the Branch Offices, Gelephu and Trashigang. The total unresolved significant irregularities aggregated to Nu.19.704 million as summarized below:

Table showing summary of observation with category code and amount involved (Nu. in million)

| SI. No. | Observation in brief | Amount | Category code |
|---------|------------------------------------|---------------|---------------|
| 1 | Shortfall, lapses and deficiencies | 19.704 | 5 |
| | Total | 19.704 | |

1. Shortfall, lapses and deficiencies – Nu.19.704 million

The RICBL, HQ had cases of shortfall, lapses and deficiencies amounting to Nu.19.704 million as summarized below:

Table showing summary of shortfall, lapses and deficiencies (Nu. in million)

| SI. No. | Observations in brief | Amount | Para No. | Who are accountable? |
|---------|---|---------------|----------|--|
| 1.1 | Irregular housing loan | 8.305 | 1.2 | Kinzang Dorji, Manager, Dhendup Norbu, Manager, and Surajit Dutta, GM. |
| 1.2 | Irregular housing loan | 6.081 | 1.8 | Kinzang Dorji, Manager, Dhendup Norbu, Manager, and Surajit Dutta, GM. |
| 1.3 | Irregular housing loan | 5.000 | 1.9 | Kinzang Dorji, Manager, Dhendup Norbu, Manager, and Surajit Dutta, GM. |
| 1.4 | Defaulted loan & excess amount of loan sanctioned | 0.318 | 1.7 | Kinzang Dorji, Manager, Dhendup Norbu, Manager, and Surajit Dutta, GM. |
| | Total | 19.704 | | |

The cases are explained hereunder:

1.1 Irregular housing loan - Nu.8.305 million

A housing loan of Nu.8.500 million was sanctioned without obtaining the required documents viz., ownership certificate of land, adequacy of insurance coverage and against the initial loan outstanding of Nu.8.567 million, a sum of Nu.0.262 million were recovered leaving a balance of Nu. 8.305 million as on 31/12/2006.

1.2 Irregular housing loan - Nu. 6.081 million

The management had failed to carry out due diligence in the process of sanctioning of housing loan of Nu.5.000 million for purchasing and

renovation of 3 storied building. The necessary documents viz., ownership certificate, comprehensive insurance and sale deed were not available on record for verification. The client had failed to deposit even a single installment. The total loan outstanding amounted to Nu.6.081 million as against the sanctioned loan amount of Nu.5.000 million.

1.3 Irregular & over sanctioning of housing loan – Nu. 5.000 million

The RICBL had sanctioned a housing loan of Nu.5.000 million to a client for purchasing a 4 storied building. However, this loan was overexposed as the insurance coverage of collateral was Nu. 3.811 million indicating that building was valued at Nu.3.811 million.

1.4 Defaulted Loan & excess amount of loan sanctioned – Nu.0.318 million

The management had failed to carry out due diligence in the process of sanctioning of a housing loan of Nu.0.640 million. There was huge variation in the valuation of the flat, which had ultimately resulted in excess sanctioning of loan to the tune of Nu.0.318 million.

NON-GOVERNMENT ORGANISATIONS

The Royal Audit Authority during the year 2006 had issued five inspection reports pertaining to the Non-Government Organizations (NGOs) and total unresolved significant irregularities amounted to Nu. 11.655 million as detailed below:

6.55 Bhutan Chamber of Commerce & Industry (BCCI)

The Royal Audit Authority during the year had issued one inspection report pertaining to Bhutan Chamber of Commerce and Industry (BCCI) including its Regional Office, Phuentsholing. The total unresolved significant irregularities amounted to Nu.0.054 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observations in brief | Amount | Category Code |
|---------|-----------------------------------|--------------|---------------|
| 1 | Shortfalls, lapses & deficiencies | 0.054 | 5 |
| | Total | 0.054 | |

1. Outstanding Advances– Nu. 0.054 million (Para 1.4)

Advances amounting to Nu.0.090 million were lying outstanding against the officials of BCCI out of which BCCI reported liquidation of Nu. 0.036 million leaving a balance of Nu.0.054 million.

Who are accountable?

- a) Kinley Tenzin, Asstt. Accountant, and
- b) Chhimi Dorji, Finance Officer, (Supervisory)

6.56 Construction Association of Bhutan (CAB)

The Royal Audit Authority during the year had issued one Inspection Report in respect of the Construction Association of Bhutan (CAB). The total unresolved significant irregularities amounted to Nu.5.242 million as summarized below:

Table showing observations with category code and amount involved (Nu. in million)

| Sl. No. | Observations in brief | Amount | Category Code |
|---------|-------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption and Embezzlement | 0.100 | 1 & 2 |
| 2 | Shortfalls, lapses and deficiencies | 5.142 | 3 |
| | Total | 5.242 | |

1. Non-accountal of collection – Nu.0.100 million (Para No. 3)

Out of Nu.0.175 million collected by the General Secretary of the CAB from money receipts 10051 to 10058, Nu.0.075 million only was accounted for resulting to non-accountal of Nu.0.100 million. No action was taken on the above non-accountal.

Who is accountable?

Game Tshering, General Secretary.

2. Shortfalls, lapses and deficiencies- Nu. 5.142 millions

CAB had cases of shortfalls lapses and deficiencies amounting to Nu.5.142 million as summarized below:

Table showing summary of shortfalls lapses and deficiencies (Nu. in million)

| Sl. No. | Observation in brief | Amount | Para No. | Who is accountable? |
|---------|--|--------------|----------|-----------------------------------|
| 2.1 | Non-collection of Slab Rate Levy (SRL) | 2.942 | 1 | Game Tshering, General Secretary. |
| 2.2 | Non-collections of Membership fees | 2.200 | 2 | Game Tshering, General Secretary. |
| | Total | 5.142 | | |

2.1 *Non-collection of Slab rate Levy – Nu. 2.942 million*

Out of total amount of Nu. 4.279 million towards Slab Rate Levy collectable from the bills of the contractors for the years 2003 to 2005, Nu.1.337 million only was collected resulting to non-collection of Nu.2.942 million.

2.2 *Non-collection of endorsement fee- Nu. 2.200 million*

The CAB had not collected Membership Fee amounting to Nu.2.200 million from contractors whose license was found renewed by the Construction Development Board upon endorsement in the standard Forms by the CAB.

Further, there were other irregularities and inconsistencies like improper maintenance of recording the details of endorsement, absence of identified and authorized signatories, absence of consistent system of regular follow-up and endorsement of Forms for the current year without realizing the old dues. No actions had been taken on the above non-collections.

6.57 Youth Development Fund (YDF)

The Royal Audit Authority during the year had issued one inspection report in respect of the Youth Development Fund (YDF), Thimphu. The total unresolved significant irregularities amounted to Nu.6.359 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

| Sl. No. | Observations in brief | Amount | Category Code |
|---------|------------------------------------|--------------|---------------|
| 1 | Fraud, Corruption and Embezzlement | 1.365 | 1 & 2 |
| 2 | Mismanagement | 0.322 | 3 |
| 3 | Shortfall, lapses & deficiencies | 4.672 | 5 |
| | Total | 6.359 | |

1. **Embezzlement of YDF Fund- Nu.1.365 million (Para No. 13)**

During the years 2003 and 2004, Namgay Tshering, Driver cum Office Assistant of YDF had stolen four leaflets of cheque and withdrawn Nu.1.100 million by forging the signatures from A/c # 31555 maintained with the Bank of Bhutan Ltd, Thimphu Branch.

He had also embezzled sale proceeds of Bhutan National Lottery amounting to Nu.0.260 million and Nu.0.005 million from the YDF Shop account. YDF was yet to recover Nu.0.991 million out of the total embezzled amount of Nu.1.365 million.

Who is accountable?

Yangdey Penjor, Director (Supervisory)

2. Mismanagement – Nu. 0.322 million

YDF had cases of mismanagement amounting to Nu.0.322 million as summarized below:

Table showing summary of mismanagement (Nu. in million)

| Sl. No. | Observations in brief | Amount | Para No. | Who are accountable? |
|---------|--|--------------|----------|---|
| 2.1 | Non-collection of sale proceeds of lottery tickets | 0.180 | 1 | Chhimi Palky, Finance Coordinator, Rinchen Namgay, Ex-Finance Coordinator & Yangdey Penjor, Director. |
| 2.2 | Pending Deposits of Lottery Collections | 0.142 | 9 | Rinchen Namgay, Ex-Finance Coordinator |
| | Total | 0.322 | | |

The cases are explained hereunder:

2.1 Non-collection of sale proceeds of lottery tickets – Nu. 0.180 million

Out of 15,000 numbers of Bhutan National Lottery tickets of Nu. 100.00 each received by the YDF for the 9th Draw from Bhutan National Lottery 1,800 tickets valuing Nu.0.180 million were issued to Bumthang, Chhukha, Punakha and Wangdiphodrang Dzongkhags. Neither the sale proceeds nor the unsold tickets were received from the Dzongkhags though the lottery was held on 02.06.2003. No action was taken on the non-collection of sale proceeds of lottery tickets.

2.2 Non-collection of sale proceeds of lottery tickets – Nu. 0.142 million

YDF had not deposited the sale proceeds of Bhutan National Lottery tickets in respect of 8th Draw, 9th Draw and 10th Draw amounting to Nu. 0.110 million. Further, sale proceeds amounting to Nu.0.032 million were yet to be collected. No action was taken for the non deposit and non-collection of the amounts.

3. Outstanding advances - Nu. 4.672 million (Para No.14)

Advances aggregating to Nu.4.672 million were lying outstanding against the officials disbursed for various purposes. No effective actions were taken to liquidate the outstanding advances.

Who are accountable?

- a) Gama Namgyal, Jr. Program Officer;
- b) Dorji Ohm, Program Officer;
- c) Tashi Choden, Jr. Program Officer, &
- d) Yangdey Penjor, Director (supervisory).

PERFORMANCE AND THEMATIC AUDIT REPORTS

The Royal Audit Authority has the mandate and responsibility to audit and report on the Economy, Efficiency and Effectiveness in the uses of public resources. The audits were primarily aimed at identifying areas of shortcomings and deficiencies impeding the effective delivery of public services and recommending measures for improvements thus promoting accountability in achieving the intended objectives by the agencies audited.

During the year, the Royal Audit Authority had issued 5 Performance and Thematic Audit Reports on the following topics and had made series of recommendations to streamline the operations, systems and procedures for effective utilization of resources.

- ✍ Air Ticket Procurement System;
- ✍ Forest Roads Management by the Forestry Development Corporation Ltd.;
- ✍ Basic Health Unit;
- ✍ Web Site audit of Ministry of Education, Finance, Trade & Industry, Foreign Affairs and Works & Human Settlement; and
- ✍ Government Quarter Allotment System of NH&DC.

The significant observations and recommendations made in each report were as highlighted below:

7.1 Air Ticketing

The RAA had carried out the review of the systems and practices followed in procuring air tickets by Ministries and a few agencies. Significant observations and recommendations were as summarized below:

7.1.1 Full Fare Economy charges paid for the Excursion Class Tickets provided

The Royal Audit Authority observed that in several cases, discounted and excursion class tickets were provided against the full fare economy class tickets asked and paid for by the organizations. Generally there were lack of awareness amongst the procuring agencies of the varying amounts of discounts and other conditions available with the excursion, economy or discounted tickets owing to reduced facilities of transferability, re-routable and endorsable features etc. Price differences in the fares printed in the air tickets and discounted/excursion fares were as high as over 50%.

7.1.2 Limited bidding procedures in most cases

In most cases air tickets were being procured on the basis of limited bidding procedures thereby restricting wider participation. Absence of open bidding system would provide ticketing agents the scope for forming syndicate and collusive bidding resulting to charging exorbitant costs for the air tickets. The possibility of ticketing agents extending part of benefits to the officials traveling or those directly involved in procurement of air ticketing in the form of hotels or even in cash could not be ruled out.

7.1.3 Quoting fares with or without hotel

In some cases instead of quoting Full Economy Fare and Excursion Fare the ticketing agent had quoted two different fares i.e. fare with hotel accommodation and fare without hotel accommodation. In such cases the procuring agency had accepted the fare with hotel accommodation resulting in Government bearing the cost of accommodation as well as payment of full DSA.

Recommendations:

Important recommendations made by the RAA were:

- ✿ Making specific provisions for the procurement of air tickets in the Procurement Manual as no detailed rules or guidelines are available;
- ✿ Creating awareness amongst procuring agencies regarding the different types of air tickets and varying fare structures;
- ✿ Maintaining list of approved airlines to avoid personal preferences and also to ensure security and safety of government employees traveling by different airlines.

The Ministry of Labour and Human Resources had complied with the procurement norms in general.

7.2 Audit of Forest Road Management

The RAA reviewed the procedures and practices followed by the Forestry Development Corporation Ltd concerning construction of forest roads. Besides, achieving important commercial objectives, forest roads also provide access to local communities and others. While the RAA noted significant improvement over the years in the construction and management of forest roads and that concept of environment friendly road construction was reinforced, the RAA noted some areas requiring further

improvements. Significant observations and recommendations made were as below:

a) *Road construction before finalization of Management Plan had rendered roads unused for 5 years*

In Rongmanchu Forestry Management Unit under Zhonggar Division, 7.5 Km of forest road was constructed at a cost of Nu. 6.775 million under the Third Forestry Development Project (TFDP) prior to the finalization of the Management Plan. In addition, the FDCL had also incurred an expenditure of Nu. 0.215 million on account of maintenance of the road. The main objective of constructing this road was for facilitating logging activities.

However, the road was not found used for logging operation since its construction in 2000 though the FDCL was writing off the cost of the road from its books of accounts every year. Though the road has benefited the villages of Budur and Kupinyesa for local transportation, the main objective of the road construction was not achieved.

b) *Inadequate monitoring over road construction works*

The RAA noted that proper site clearance were not carried out in the Gogona Forest Road construction as only tall and big trees were felled, cross cut and sided, bushes and shrubs were left un-cut. This was mainly due to inadequate site supervision.

Recommendations:

Important recommendations made included the following:

- ✿ Adoption of environmentally sound forest road construction techniques should be enforced;
- ✿ Forest road constructions should be taken up only after the Forest management Plan is finalized to ensure proper utilization of forest roads;
- ✿ Deployment of trained and qualified engineers and experienced contractors should be considered;
- ✿ Road design and specification to be developed based on climatic conditions and types of terrain.

The Forestry Development Corporation Limited considered four recommendations most important and assured to implement them.

7.3 Audit of Basic Health Unit (BHUs)

The Royal Audit Authority reviewed and evaluated the operations of some of the BHUs on a selective basis to ascertain the economy, efficiency and effectiveness of the delivery of the Primary Health Care Services. BHUs are primary level institutions in the health care system. The local communities have been benefiting from the BHUs established at the community level. BHUs also created awareness amongst the local communities about the hygiene and cleanliness.

The significant observations and recommendations made by the RAA were as summarized below:

a) *Non-allocation of staff and facilities as per the guidelines*

In some cases BHUs were not allocated staff and other facilities as per the guidelines thereby impeding effective delivery of primary health care services.

b) *Non-integration of traditional medicine system with the overall health services*

One of the objectives of the 9th Plan of the Health Sector was to integrate the traditional medicine system with the overall health services. These were not found implemented in the BHUs visited by the Team.

c) *Supply of drugs with short expiry dates*

There were cases where drugs having short expiry dates were supplied to BHUs. In some cases drugs became time expired even before reaching the BHUs from the road head points.

d) *Varying % of utilisation of drugs and non-drug items*

Utilisation of drug items in various BHUs varied from 0% to 100% and non-drug items 3.82% to 100%. Large quantities of drug and non-drug items were not utilised at all indicating that adequate studies were needed in assessing the requirements of different BHUs.

Recommendations

Recommendations made by the RAA included the following:

- ✿ Allocation of staff should be made as per the guidelines framed for different categories of BHUs;
- ✿ BHUs should be provided with requisite equipments i.e., Doppler, baby warmer, electrical suction etc.;
- ✿ Traditional medicine system should be integrated with the overall health services;
- ✿ DVED should procure drugs with reasonably long shelf life; and
- ✿ Having regard to the need for the essential drugs, DVED should monitor the uses of drug and non-drug items and mobilize unused and surplus items to avoid the incidences of wastage and stock out situations.

7.4 Audit of Web sites

Ministries and various government agencies have developed and launched their own Websites for carrying out their operations and service delivery systems as well as for online information sharing. Given the importance attached to the ICT developments, the RAA as a step forward towards IT auditing conducted a study of Websites developed by five Ministries with the objectives to ascertain economy, efficiency and effectiveness in the uses of resources pertaining to the development and operations of Websites.

Important findings of the RAA included the following:

- ✿ Aims and objectives of Websites development were not clearly defined which are inevitable for facilitating proper monitoring and evaluation of effectiveness;
- ✿ Lack of General guidelines for development of Websites resulted in inconsistency in the presentation and quality of Websites.
- ✿ Comparison of incorporation of essential features of Websites developed indicated that the Website of the Ministry of Finance had the maximum features incorporated.
- ✿ Some Websites did not have essential features like search engines, hit counter, feed back form, links, archives etc.;
- ✿ Internet speed had been found to be generally very slow due to lower bandwidth;
- ✿ Approval and documentation of Websites development were generally lacking; and
- ✿ Disaster recovery measures and security features were not adequate in most cases;

Recommendations:

Important recommendations made by the RAA included the following:

- ✿ Development of Guidelines for the Websites by the DIT;
- ✿ Need to ensure adequate documentation for approval, designing and development of the Websites;
- ✿ Need to have clearly defined objectives for the development of Websites,
- ✿ Need to carry out proper need analysis and incorporate essential features including archiving of essential information and instructions, circulars etc;
- ✿ Names of agencies, departments and divisions to be also written in Dzongkha to promote the national language; and
- ✿ Need to avail adequate bandwidth for internet to ensure speedier access.

Since the recommendations were applicable to most of the Ministries and agencies having or intending to develop websites, the same may be reviewed and implemented where practicable. The Ministry of Information and Communication in particular the Department of Information Technology may review the recommendations for possible implementation. The Ministry of Information and Communication in general explained the reasons leading to the inconsistencies and problems as pointed out by the RAA.

7.5 Government Quarter Allotment System

The National Housing Development Corporation (NHDC) was established under the Ministry of Works and Human Settlement in September 2003 to address the housing shortage, provide the low cost housing and to effectively administer the existing residential quarters.

The Royal Audit Authority conducted the study of operations of NHDC with the objective to ascertain whether the Government quarters were managed effectively in adherence to applicable laws, rules and regulations.

Pertinent findings of the RAA included the following:

- ✿ While in general Government quarters were found allotted on first come first serve principles there were cases of preferential allotments,
- ✿ No periodic repair and maintenance system was in place and rather repair and maintenance of government quarters were

carried out based on complaints received and availability of budgets,

- ✍ There were lack of monitoring over the unauthorized sub-letting of quarters,
- ✍ Effective measures to monitor the assessment, collection and accountal of rental income were lacking,
- ✍ There were cases of non-surrender of quarters even long after transfers and retirement,
- ✍ There were no proper Fixed Asset Register of Government quarters maintained for effectively monitoring the allotment and collection of rents,
- ✍ Changjiji complex had drinking water problems due to use of pipes of wrong specification in the main supply lines and faulty designs in water connections provided,
- ✍ Unclear jurisdiction of NHDC over Government quarters pertaining to Dzongkhags, institutions and agencies.

Recommendations:

Important recommendations made by the RAA were as follows:

- ✳ NHDC should maintain fairness and equity in allotting Government quarters by strictly following first come serve principle;
- ✳ NHDC should strictly enforce lease agreements regarding subletting of quarters and take over those quarters and re-allot if found sub let;
- ✳ NHDC should institute periodic repair and maintenance plan of government quarters;
- ✳ NHDC should resolve the drinking water problems in the Changjiji Hosing Complex;
- ✳ NHDC should immediately takeover the quarters from the occupants on transfers or retirements as per rules; and
- ✳ NHDC should ensure maintenance of complete inventory of government quarters and institute proper system to monitor over the assessment and collection of rents.

The management in general accepted the recommendations and the same were either already implemented or were being implemented.
