

# FOREWORD

FROM THE DESK OF THE AUDITOR GENERAL



The year 2007 has been another year of success for the Royal Audit Authority (RAA). With an attempt to move alongside the country's transition to democracy, the 2007 turned out to be a transitional one in more ways than could have anticipated when it began.

In aligning the roles and responsibilities of the RAA with the Constitution of the Kingdom of Bhutan and the Audit Act of Bhutan 2006, the Royal Audit Authority came out with a Strategic Plan 2008 – 2013. The Strategic Plan was framed in line with the overall objectives of the 10<sup>th</sup> Five Year Plan and by incorporating the outcomes of the Organisational Development Exercise and the IDI (INTOSAI Development Initiative) Capacity Building Needs Assessment.

The Annual Audit Report (AAR) 2006 was tabled in the 87<sup>th</sup> National Assembly in June 2007. Based on the resolution of the 87<sup>th</sup> National Assembly to settle all pending audit reports by December 2007, the RAA prepared detailed schedules and conducted a comprehensive follow up of all the previous audit reports. After convening more than 890 meetings, 684 reports remained resolved by the end of March 2008. During the year, the RAA also issued Auditor General's Advisory Series on Construction and Procurement. The Auditor General made presentation of the AG's Advisory Series and the status of the follow up activity to the Government Coordination Committee on 7<sup>th</sup> January 2008.

The RAA is pleased to present the Annual Audit Report 2007. The report contains unresolved significant audit findings from 136 audit reports out of a total of 500 reports issued from 1<sup>st</sup> January to 31<sup>st</sup> December 2007. The RAA also forwarded 32 reports containing strong indicators of fraud and corruption to the Anti Corruption Commission. Despite several activities in the country such as the Mock Election, the National Council Elections and the Organisational Development Exercise where several key officers of the RAA were involved, the RAA had been able to achieve all its planned targets. The achievements for the year have been summarised in the following table;

Types of Audits	Normal Audit	Certification Audit	Performance Audit	Statutory Audit	Special Audit	Total
<b>Audits Conducted</b>	311	121	5	20	0	<b>457</b>
<b>Reports issued</b>	375	97	5	19	4	<b>500</b>

In addition, a total of 1098 unresolved past audit reports were also reviewed during the period.

Though audit recoveries have been increasing every year, the 2007 saw a phenomenal increase of audit recoveries to Nu. 80 million as against Nu. 45.651 million in 2006. In fact, by the end of March 2008 the total recoveries made from the audits conducted during 2007 reached a staggering figure of Nu. 100.898 million. Such an increase in audit recoveries could be mainly attributed to the extensive follow up and focused audit approach which had led to huge recoveries from major construction and procurement activities. As a part of focused audit approach, the RAA also conducted separate Performance Audits on Government Property Management, the Mining Operations in Bhutan and the systems audit of the Thimphu City Corporation.

The year also saw some of the senior government officials being convicted by the Royal Court of Justice based on the findings of the RAA Reports of the agencies such as Army Welfare Project, Construction Association of Bhutan, Ministry of Education, etc. Such actions are a source of solace for the RAA since they are an indication of the acceptance of the findings of the RAA.

Despite auditing and issuing several reports over the past so many years, the RAA had never realized about the impact that auditing has created in the agencies. Therefore, in AAR 2007, we have tried to put some of the impacts of audit under Chapter 3.

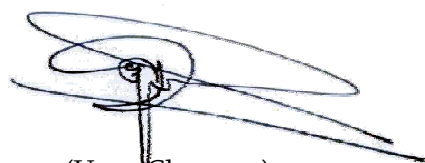
The RAA would also like to acknowledge the initiative of the Ministry of Finance in coming out with a new Procurement Manual. We remain hopeful that the Ministry will provide required guidance and training for its uniform application. Likewise we would also like to urge all other ministries and agencies to co-ordinate, review and update relevant rules and regulations periodically to make them relevant and effective.

It is a pleasure, at the end of each year, to pay tribute to all those who have put in their hard work and efforts to the progress that we have achieved in the year. I would like to express my sincere gratitude to all the officers in the Ministries, Departments and Agencies for providing timely response to the draft AAR 2007 and for extending the required support and cooperation to the auditors while in the field. On an equal measure, I would also like to acknowledge the contributions of the members of the last Public Accounts Committee for playing instrumental role in following up the previous AARs and for the effective presentation of the AAR 2006 in the 87<sup>th</sup> National Assembly. I commend all my officers and staff for their dedication and continued commitment to the RAA.

As Bhutan launches its Constitution adopting the Democratic Constitutional Monarchy, the RAA provides its assurances to continue to serve His Majesty The Druk Gyalpo, Country and People to the best of its abilities and without any fear, favour or prejudice. In preparing for the same, the very theme of the 10<sup>th</sup> Annual Audit Conference in July 2007 had been kept as “**RAA: Its Role as a Constitutional Body**”. Therefore we have been aligning and responding rapidly and effectively to the changes taking place both within and outside the country. The RAA will continue to audit and report on the Economy, Efficiency and Effectiveness in the use of public resources.

The RAA has always been fortunate to receive unfailing guidance from all the successive Druk Gyalpos. While the Third Druk Gyalpo laid the foundations of auditing system in Bhutan, the Fourth Druk Gyalpo strengthened the auditing system by issuing several Kashos on the roles, responsibilities and the independence of the RAA; all of which finally culminated into the RAA becoming an independent constitutional body. We would like to dedicate, whatever we have achieved so far, to the hundred years of Monarchy in Bhutan.

We look forward to working with the new government and the new Public Accounts Committee.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

(Ugen Chewang)

**Auditor General of Bhutan**

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## PERFORMANCE REPORT OF THE RAA

### 1.1 Mandate of the Royal Audit Authority

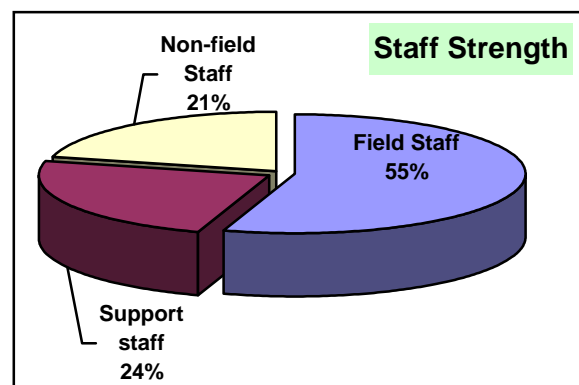
The mandate of the Royal Audit Authority has been clearly outlined in the Constitution of the Kingdom of Bhutan and the Audit Act of Bhutan 2006. Article 25.1 of the Constitution of the Kingdom of Bhutan and Section 3 of the Audit Act of Bhutan 2006 specifically states that “*there*

*shall be a Royal Audit Authority to audit and report on the economy, efficiency and effectiveness in the use of public resources*”. Both these documents require the RAA to carry out without fear, favour or prejudice, any forms of audit of the following:

Government or any of its instrumentalities	Legislature & related institutions	Judicial and Judicial Bodies
Zhung Dratshang, Rabdeys & related institutions	Constitutional Bodies	Defence & Security Services
Corporations & Financial Institutions established under the laws of the Kingdom in which the Government has an ownership interest.		
All entities fully or partly funded by the Government	All entities whose loans are approved or guaranteed by the Government	
All entities receiving funds, grants and subsidies directly or through the government	Collections and contributions from the people & fund raised through lottery	
Any entity or activity upon command of the Druk Gyalpo		

### 1.2 The Royal Audit Authority Recruits 11 Auditors

During the year 11 auditors joined the organisation. However, this did not have major impact on the overall staff strength since many of them were recruited in place of those who left the organisation in 2006 and 2007. In 2007, 3 officers left the organization; one on transfer as Dzongdag and two others to pursue political career. As on December 2007, the RAA had total staff strength of 194.



### 1.3 SDS Supports RAA's Expenditure

The total expenditure of the RAA for the Fiscal Year 2006-07, amounted to Nu. 52.204 million as against Nu. 50.249 million in 2005-06. The increase in expenditure was mainly due to new activities under the assistance of Sustainable Development Secretariat (SDS)

for institutional development. The total expenditure for 2006-07 represented 94% of the approved budget of Nu. 55.615 million including DANISH and SDS assistance of Nu.2.486 million and 1.050 million respectively.

### 1.4 RAA Controls Cost of Audit

In order to derive the cost of audit, the RAA had taken its total recurrent cost for the year as a percentage of the total government revenue and expenditure for the same year. The logic being that the RAA is required to audit both the revenue and expenditure of the government for the year through individual audits of the various government agencies and also by certifying the overall consolidated financial statement of the government. While this may not give an accurate cost of audit, it can be used as a benchmark for the RAA to control its cost of audit in order to derive value for money. Otherwise the cost of audit can be far less than the one derived since revenues and expenditures of the corporations, financial

institutions and the NGOs are not taken into consideration while their costs have been clubbed in the total recurrent cost of the RAA. Likewise, there is no denominator figure in the case of several performance, thematic and other special audits.

In 2006, the cost of audit was Nu. 0.11 for audit of every Nu. 1000. The RAA maintained almost the same cost in 2007 despite carrying out an additional assignment of reviewing 1098 reports amounting to over Nu. 3.7 billion. Comparative cost of audits presented as a percentage of the aggregate revenue and expenditure of the Government audited for past three years are given in the table below:

Sl. No.	Particulars	2006-07	2005-06	2004-05
1	Recurring expenditure (RAA)	47.57	42.63	38.79
2	Gross revenue and expenditure of the Government	41,534.19	38,429.12	32,441.20
3	Cost of audit as a percentage of aggregate of revenue and expenditure	0.11%	0.11%	0.12%

In comparison to the Audit Recoveries, the recoveries made during the year far exceeded the total cost of audit by more than 67%.

For every Nu. 100,000.00 audited, the RAA incurred recurring expenditure of Nu.110.00

## 1.5 Achieved 110.12 % of the Planned Audits

The RAA conducted 457 audits during the year 2007 out of 415 audits planned. This represented achievement of 110.12% of

the planned audits. The details of the audits conducted during the year are as given hereunder:

Sl. No	Audit Types	Audit Planned	Audit conducted	Achievement in %
1	Normal, Certifications, Special and Performance	394	436	110.65
2	Statutory audits	20	20	100.00
3	Certification of Annual Financial Statements	1	1	100.00
<b>Total</b>		<b>415</b>	<b>457</b>	<b>110.12</b>

## 1.6 Number of Reports Issued Increased by 14.15%

The RAA issued 500 reports during 2007, comprising of 375 normal audits, 4 Special audits, 19 statutory audits, 96 project certifications, 5 Performance audits and 1 report on certification of Annual Financial

Statements of the Government. This represents an increase of 14.15% in the number of reports issued compared to 2006 where 438 reports were issued.

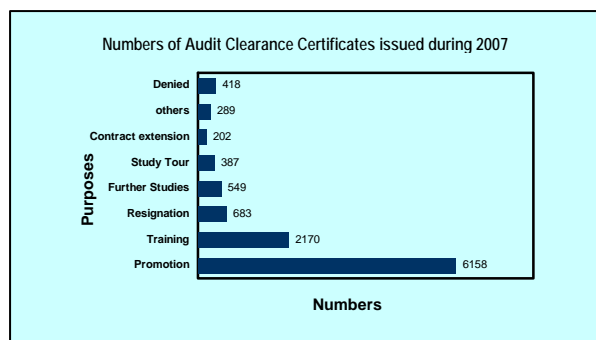
## 1.7 Forwarded 32 Reports to Anti-Corruption Commission (ACC)

In line with the Audit Act of Bhutan 2006, of the 500 reports issued during the year, copies of 32 reports containing significant issues including fraud and corruption cases were forwarded to the ACC. Many of these reports were also submitted to the

Hon'ble Prime Minister, Secretary to His Majesty the King and the Royal Civil Service Commission depending on the nature of cases. The list of reports forwarded to ACC is given in *Annexure A*.

## 1.8 Issued 10,438 Audit Clearance Certificates

Out of 10,856 applications received for issuance of Audit Clearance Certificates in 2007, the RAA issued 10,438 Audit Clearance Certificates against 9,489 certificates issued in 2006 representing an increase of 10%. The issuances of Audit Clearance



Certificates were denied to the balance of 418 applicants on the ground of having unsettled observations and providing incomplete information.

## 1.9 Record Increase in the Amount of Audit Recoveries

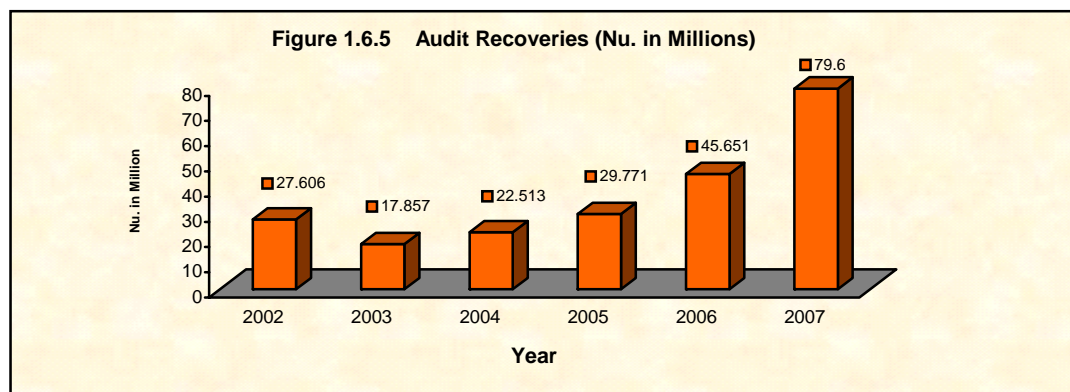
During the year, the RAA made Audit Recoveries of Nu.79.600 million surpassing the recoveries of Nu. 45.651 million and Nu. 29.771 million made in 2006 and 2005 respectively, put together. Of the total recoveries for the year, Nu. 58.659 million pertained to audit reports of 2007 alone, while Nu. 20.941 million were the recoveries from the audits of previous years.

In the opinion of the RAA, an increase of over 74.37% as compared to 2006 could be mainly due to focused auditing and continued extensive follow up by the RAA. It is also an indication of increased compliance to the RAA reports by the authorities in the audittee agencies. By the

end of March 2008 the total recoveries made from the audits conducted during 2007 reached a staggering figure of Nu. 100.898 million.

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The major recoveries were made from the focussed auditing of the Tashi chho Dzong – Babesa Expressway Project of the Ministry of Works and Human Settlement and the procurement of Science Laboratory Equipment in the Ministry of Education. Comparative figures of audit recoveries for the past six years are presented in the graph below:



## 1.10 Reports Highest Cases of Strong Indicators of Fraud & Corruption

The year 2007 saw the highest cases of strong indicators of fraud and corruption. The RAA uncovered several cases of forgery, tampering of documents, malpractices and abuses

and other fraudulent and corrupt practices amounting to Nu. 39.280 million. Of the total cases reported, Nu. 13.068 million pertained to a single procurement scam where the said

amount was siphoned off through illegitimate payments. The shift to

intense audit focus mainly aided in uncovering such cases.

### **1.11 Fulfils the Directives of the 87<sup>th</sup> National Assembly**

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The 87<sup>th</sup> Session of the National Assembly directed all the ministries, departments, dzongkhags, gewogs and agencies to settle all pending audit reports by December 2007. A copy of the resolution was also forwarded to the RAA by the then Hon'ble Speaker.

In an attempt to assist the agencies concerned in achieving this goal, the RAA compiled a list of all the pending audit reports and prepared tentative schedules for the review which was notified to all agencies in August 2007. The RAA involved its four regional offices and four functional divisions in the nationwide follow up exercise. By the end of March 2008, the RAA held more than 890 meetings and reviewed all the pending

1098 audit reports. In the process, 684 reports were totally resolved, leaving a balance of 414 unresolved reports involving Nu. 483.612 million. Among the remaining unresolved reports, though the reports *per se* remained unresolved, many observations in those reports have been resolved during the nationwide follow up exercise. The Auditor General also participated in follow up meetings and discussions particularly those relating to the audit reports of Dzongkhags, Gewogs and some of the Ministries.

The report of the follow up exercise was presented to the Government Coordination Committee on 7<sup>th</sup> January 2008.

### **1.12 The 87<sup>th</sup> National Assembly Endorsed the Construction of RAA Training Centre at Tsirang**

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There has always been an attempt of the RAA to upgrade the knowledge and skills of the auditors by focusing more on in-house trainings. In-house trainings have the advantage over other trainings for being less expensive and for getting the desired results through focused and tailored trainings. The Continuous Professional Development Policy of the RAA requires every auditor to undergo a

minimum of 60 hours of training every year. However, all such efforts of the RAA are being constrained by not having its own Training Centre. Therefore, it came as no surprise to the RAA when such a need was felt by the National Assembly in June 2007 and accordingly endorsed for construction at Tsirang in the 10<sup>th</sup> Five Year Plan.



### **1.13 Introduced Monthly Progress Reports and Weekly Plan**

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In order to keep track of the activities and for the successful achievement of the planned targets, the RAA introduced system of Monthly Progress Reports and Weekly Audit Plans. All divisions of the RAA including the regional offices are

required to submit to the Auditor General's Secretariat, a plan on the activities to be implemented in the ensuing week and by the tenth day of every month, they also have to submit a progress report of the preceding month.

### **1.14 Continuous Professional Development Programmes on Track**

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According to the RAA's Continuous Professional Development Policy, the RAA is required to provide for all its auditors and staff at all grades, opportunities for continuous professional development to enable them to enhance quality of their performance. Accordingly, the RAA had been providing opportunities through several professional development activities.

During the year a total of 70 auditors availed in-house trainings on Environmental Audit, Performance Audit, Dzongkha Unicode and Basic Dzongkha Courses. A total of 22 auditors availed ex-

country trainings comprising of six long term courses in IA&AS, Masters in Public Administration, ACCA and Master in Accounting and Control including several short term ex-country trainings on Budget & Public Expenditure Management, Audit of Public Works, Auditing in EDP Environment, Audit of Procurement Process, Environmental Audit, Accounting & Financial Management and Fraud Examination Techniques.

Besides, 3 auditors from the RAA had also undergone E-Learning Course on IT Auditing through Computer based Training.

### **1.15 RAA Involved in Training Auditors in Other Countries**

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During the year, the Training Specialist of the RAA was involved in delivering a 3-weeks course on Performance Auditing at Bangkok, Thailand to the auditors from other countries like Cambodia, Myanmar, Laos, Vietnam, Maldives, Afghanistan, Thailand, Bangladesh and Nepal. The

Training Specialist was also involved in conducting Capacity Building Needs Assessment of the Office of the Auditor General of Nepal and in designing a Global Training Booklet called the 'Learning for Impact – A Better Practice Guide for Supreme Audit Institutions'.



## 1.16 International Cooperation Enhanced

In order to keep pace with the emerging auditing and related concepts, practices and other developments in the international arena, the RAA had been exchanging ideas and experiences with other Supreme Audit Institutions (SAIs) through greater cooperation in the fields of trainings, conferences and special delegations to other SAIs. Besides, the

RAA is also a member of the International Organisation of Supreme Audit Institutions (INTOSAI), Asian Organisation of Supreme Audit Institutions, INTOSAI IT Audit Committee and the Working Group on Environmental Auditing. In this context, the RAA attended the following assemblies, conferences and meetings;

Sl. No	Purpose	Period	Country	No. of Delegates
1	11 <sup>th</sup> Meeting of the INTOSAI Working Group on Environmental Auditing	25 <sup>th</sup> -29 <sup>th</sup> June 2007	Tanzania	2
2	XIX International Congress of Supreme Audit Institutions (INCOSAI)	3 <sup>rd</sup> – 10 <sup>th</sup> Nov. 2007	Mexico	3
3	Delegation to India to sign the extension of MoU between RAA and Office of the Comptroller & Auditor General of India	October 2007	India	2
4	16 <sup>th</sup> Meeting of the INTOSAI Standing Committee on IT Audit	3 <sup>rd</sup> – 7 <sup>th</sup> Mar. 2007	Oman	2
5	ASOSAI IDI Quality Assurance Programme Meeting	3 <sup>rd</sup> – 5 <sup>th</sup> Dec. 2007	Cambodia	1

Further, two senior level resource persons from the Office of the Comptroller and Auditor General of India conducted the 7<sup>th</sup> Indo-Bhutan Audit Training on

"*Environmental Audit*" from 9<sup>th</sup> to 13<sup>th</sup> July 2007. The training was attended by 33 auditors from the RAA headquarter and regional offices.

## 1.17 Underwent Organisational Development Exercise and Capacity Building Needs Assessment

In order to review its capacities for shouldering the mandates given by the Constitution of the Kingdom of Bhutan and to look for measures to further improve its performance to deliver high quality services, the RAA volunteered to be one of the first pilot organisations to undergo the Government initiated Organisational Development Exercise in

May – June 2007. Subsequently, a similar exercise, under a different title called the Capacity Building Needs Assessment, was also undertaken by the INTOSAI Development Initiative in August 2007. Many of the recommendations of the above two exercise are being implemented by the RAA.

## **1.18 Environmental Audit & IT Audit Gained Momentum**

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The RAA had been training its auditors on Environmental Audit and IT Audit during the 9<sup>th</sup> Five Year Plan, with the aim of introducing such audits in Bhutan. These issues were also thoroughly discussed during the OD and the Capacity Building Needs Assessment exercises and had accordingly been recommended in the respective reports.

Since this being one of the long awaited dreams of the RAA, it waited no further to implement the recommendations of the above two exercises. Therefore, the RAA introduced Environmental Audit and IT Audit Sections in August 2007. Such audits of selected projects are currently underway.

## **1.19 Auditor General Briefed DASHO DZONGDAGS**

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The Auditor General briefed DASHO DZONGDAGS of the twenty DZONGKHAGS on 3<sup>rd</sup> January 2007 on the roles and responsibilities of the RAA as a constitutional body as well as its future strategies to shoulder such important responsibility.

He briefed them on the common audit observations from the audit of various DZONGKHAGS and urged them to take note of their responsibilities and accountabilities and to institute adequate accounting and internal control system. Maintenance of proper documentation was also emphasized during the briefing.

## **1.20 Auditor General Briefed Education, Health and Finance Officials**

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As a proactive measure to curb fraud, corruption and other irregularities, the RAA had been taking opportunities to brief the various government officials through their annual conferences. During the year, the Auditor General briefed the officials of the Ministry of Education, Ministry of Health and the Ministry of Finance by attending their respective conferences.

The presentations mainly focussed on the constitutional roles and responsibilities of the RAA and its future directions, frequently occurring irregularities in the respective ministries and the recommendations on improving the economy, efficiency and effectiveness in the use of public resources.

## 1.21 RAA Audited by Independent External Audit

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As required by 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 from 1<sup>st</sup> July 2006 to 30<sup>th</sup> June 2007. The appointment of auditor was based on the selection of

auditors conveyed by the Hon'ble Speaker pursuant to the deliberations in the 86<sup>th</sup> Session of the National Assembly. Audited Financial Statements and Auditors' Reports are enclosed as *Annexure B*.

## 1.22 Prepared and Circulated Auditor General's Advisory Series

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Auditor General's Advisory Series is a report from the Auditor General containing significant and frequently occurring issues that need timely attention of the government. In December 2007, the RAA issued AG's Advisory Series on Construction and Procurement. It was issued especially on the eve of commencement of the 10<sup>th</sup> Five Year Plan because the RAA was of the opinion that if the issues reflected therein were addressed appropriately, it could lead to significant savings to the Government both in terms of money and in the form of improved quality of constructions, goods and services in the 10<sup>th</sup> Five Year Plan. According to the individual audit reports, some of the wastages in these sectors were as high as 46% of the total cost and running into millions of Ngultrums. A conservative estimate puts wastage on

these areas between Nu. 4,368 million and Nu. 7,060 million in the 9<sup>th</sup> Five Year Plan. Therefore, addressing the issues reflected therein could lead to savings in billions annually to the Government.

The report pointed out core issues and problems in the Construction and Procurement and accordingly recommended measures to improve and streamline the existing systems and procedures, strengthen internal controls, improve the quality and timely delivery of services and promote economy, efficiency and effectiveness in the use of public resources. While major recommendations provided in the AG's Advisory Series have been included in the AAR 2007, the following were some of the major issues and problems in the construction and procurement as identified in the AG's Advisory Series of December 2007;

- i. Deficiency, ambiguity and impracticalities of the rules and regulations due to lack of timely review, modifications and wider stakeholder consultation and participation;*
- ii. Inadequate planning, feasibility studies, survey, consultations and co-ordinations;*
- iii. "Fit for all" Designs - one design for similar constructions in various places irrespective of the type of site and weather conditions;*
- iv. Defective Contract Agreements and inadequate supervision and monitoring of works;*

- v. *Unauthorized subcontracting and Fronting;*
- vi. *Inadequate system of check and balance;*
- vii. *Private Consultancy Firms not providing value for money;*
- viii. *Abnormal variation in costs in different places for similar works;*
- ix. *Rush of activities towards the end of financial year;*
- x. *Absence of reliable quality assurance system; etc.*

With the aim of creating awareness amongst the bureaucrats on the issues and problems in the construction and procurement sectors in Bhutan and for taking better informed decisions in the 10<sup>th</sup> Five Year Plan, the Auditor General made a presentation on the AG's Advisory Series to the Government Coordination Committee on 7<sup>th</sup> January 2008.

### 1.23 Strategic Plan of the RAA Finalised

In order to fulfill the Constitutional mandate and set its future direction, the RAA prepared its Strategic Plan (2008-2013). With an effort to align with the overall government policies, aims and objectives, the Strategic Plan had been prepared in line with the overall 10<sup>th</sup> Five

Year Plan of the Kingdom of Bhutan. The Plan has been developed through a series of discussions and consultations with the auditors and staff at various levels and finally endorsed by the Executive Committee of the RAA.

The salient features of the Strategic Plan are as presented below:

Sl. No	Objectives	Proposed Strategies
1	<b>To align RAA's functions with the Constitutional requirement;</b>	<ul style="list-style-type: none"> <li>≈ Focus on Economy, Efficiency &amp; Effectiveness ;</li> <li>≈ Balanced &amp; Constructive Reporting;</li> <li>≈ Function with complete organisational &amp; functional independence;</li> <li>≈ Draft Service Rules &amp; Regulations of the RAA;</li> <li>≈ Issue five Annual Audit Reports</li> </ul>
2	<b>To conduct 3,402 audits by focussing on balanced and constructive reporting</b>	<ul style="list-style-type: none"> <li>≈ Prepare realistic Audit Schedule and rationalise field work;</li> <li>≈ Effective follow up of all audit reports;</li> <li>≈ Increasing staff strength vis-à-vis outsourcing audit of corporations &amp; NGOs;</li> <li>≈ Prepare effective retention strategies;</li> </ul>

3	<b>To improve the quality and timely delivery of audit services;</b>	<ul style="list-style-type: none"> <li>≈ Improve physical infrastructure &amp; relocate western regional office;</li> <li>≈ Procure and use auditing tools;</li> <li>≈ Focus on customer service and assess audit impact;</li> <li>≈ Institute Quality Assurance System;</li> <li>≈ Peer review of the RAA after every 5 years;</li> </ul>
4	<b>To develop auditing standards and manuals</b>	<ul style="list-style-type: none"> <li>≈ Develop Auditing Standard of Bhutan;</li> <li>≈ Develop 25 manuals on relevant audit topics;</li> <li>≈ Participate in developing Accounting Standards of Bhutan;</li> </ul>
5	<b>Enhance professional development</b>	<ul style="list-style-type: none"> <li>≈ Construct RAA Training Centre;</li> <li>≈ Implement planned ex-country &amp; in-country trainings;</li> <li>≈ Enhance minimum training requirement to 60 hours in a year.</li> </ul>

## LIST OF AUDIT REPORTS TRANSMITTED TO ANTI-CORRUPTION COMMISSION

SL. No.	Name of Agency	Report Reference	AIN
1	Army Welfare Project	IR(10)CFID/2006/2105 dated 03/05/07	6928
2	Bank of Bhutan, P/ling	RAA(IR-2)CFID/2007/3949 dated 24/08/07	7101
3	Bara Gewog, Samtse Dzongkhag	RAA/GGD/SD/Barageog/06-07/1165 dated 15/03/07	6788
4	Biru Gewog, Samtse Dzongkhag	RAA/GGD/SD/Biru/06-07/1164 dated 15/03/07	6789
5	Department of Roads, Thimphu	IR(DSA/SCID-02/2007/5665 dated 03/12/07	7207
6	Department of Geology & Mines, Thimphu	IR/RAA/RTICD(MTI-DGM)2003-06/3197 dated 06/07/07	6716
7	Divisional Forest Office, Sarpang	AR(26)2007-08/5540 dated 29/11/07	7197
8	Dzongkhag Administration, Bumthang	IR(26)BT/BD/05-06/1221 dated 20/03/07	6818
9	Dzongkhag Administration, Chukha	IR/RAA/GGD/CD/2007/2620 dated 05/06/07	6969
10	Dzongkhag Administration, Haa.	IR/RAA/GGD/HD/2007/3263 dated 13/07/07	7033
11	Dzongkhag Administration, Lhuentse	IR(23)RAA-BT/DAL/06-07/3208 dated 09/07/07	7031
12	Dzongkhag Administration, Mongar	IR(23)RAA-BT/DAM/05-06/2142 dated 07/05/07	6905
13	Dzongkhag Administration, Pemagatshel	RAA/OAAG-SJ/PGD-(IR-30)2007/6603 dated 13/04/07	6875
14	Dzongkhag Administration, Samtse	RAA/GGD/SD/2007/1201 dated 19/03/07	6819
15	Dzongkhag Administration, Sarpang	IR/RAA-04/Report-04/06-07/603 dated 11/04/07	6785
16	Dzongkhag Administration, Trashiyangtse	RAA/OAAG-SJ/T-(IR-36)07/6561 dated 09/04/07	6721
17	Dzongkhag Administration, Zhemgang	IR(39)BT/DAZ/05-06/1726 dated 17/04/07	6869
18	Dzongkhag Court, Jakar	IR(18)BT/07/546 dated 13/04/07	6876
19	GOI funded projects – ‘Construction of 350 bedded hospital at Thimphu and 150 bedded hospital in Mongar’	IR(SCD-Health-GOI)07/513 dated 31/01/07	6724
20	Government Property Management (System Audit)	RAA/PSADGPM/2007/ dated 14/12/07	-
21	Land Administration and Land Management, Thimphu City Corporation, Thimphu (System Audit)	RAA/CICD-System(TCC)/2007/1195 dated 19/03/07	-
22	Ministry of Foreign Affairs, Thimphu	RAA/GGD-MFA/07/5029 dated 23/10/07	7161
23	Ministry of Health, Thimphu	IR(SCD-DAN)07/1194 dated 19/03/07	6723
24	Ministry of Health, Thimphu	IR(SCD-NCWC)MoH/07/3874 dated 22/08/07	7098
25	Paro Town Development, Paro	IR/RAA/GGD/CD/2007/3968 dated 27/08/07	7104
26	Processing of Building Application, Thimphu City Corporation, Thimphu (System Audit)	RAA/CICD-System(TCC)/2007/1197 dated 19/03/07	-
27	Report on the System Audit of Land pooling procedures implemented by the Thimphu City Corporation (System Audit)	RAA/PSAD(TCC-Land Pooling)/2007/5427 dated 20/11/07	-
28	Resettlement Program, Ministry of Home & Cultural Affairs (Supplementary Report)	RAA(AG-SP)2007/3593 dated 08/08/2007	-
29	Royal Bhutan Embassy, New Delhi	IR(40)GGD/RBE-ND/07/2696 dated 11/06/07	6953
30	Secretariat, Ministry of Education, Thimphu.	IR(MoE-Sect)07/2504 dated 24/05/07	6926
31	Thrumshingla National Park, Ura, Bumthang	AR(35)BT/TNP/2006-07/336 dated 03/10/07	7131
32	Youth Development Fund, Thimphu	IR/RAA/CFID(NGO/YDF)2005/06 dated 29/01/07	6829



**TO  
THE NATIONAL ASSEMBLY OF BHUTAN,  
THIMPU,  
BHUTAN.**

### **AUDITORS' REPORT**

1. We report that we have audited the annexed Receipts & Payments Account of Royal Audit Authority's Budgetary Operation for the year ended 30<sup>th</sup> June 2007 drawn on cash basis, in which are incorporated all branch accounts on the basis of returns submitted by the branches not visited by us and these are in agreement with the books of account as per provisions of the Financial Manual. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Our examinations of books and records are based on generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary for this purpose.
3. The Receipts and Payments Account have been drawn up on the basis of budgetary allocations by Department of Budget & Accounts of Royal Government of Bhutan.



4. As required by the Terms of Reference of Audit, issued with the letter of appointment, we enclose a Long Form Management Report on the matters specified therein.
5. Statutory deductions regarding Salary Tax, Health Contributions, GPF, GIS and TDS have been deducted as per the prescribed rate of the Royal Government of Bhutan.
  - a) We report that :
    - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
    - ii) Proper books of account have been maintained by the Authority so far as appears from our examination of the books.
    - iii) In our opinion and according to the information and explanations given to us, the Receipts and Payments Account for the year ended 30<sup>th</sup> June, 2007 read with the Management Report gives a true and fair view of the Budgetary Funds received and payment made there from.

For RAY & RAY  
Chartered Accountants



( K. K. GHOSH )  
Partner  
Membership No. 59781

Place: Kolkata

Date: 14 DEC 2007

**ROYAL AUDIT AUTHORITY**  
**Receipts and Payments Statement**  
**For A/C. No. 108.01/01 - LC**

**For the Period Ending 30th June - 2007**

No.	Group/Broad Head of Account	Receipts				Payments				Total (Nu.)			
		Head Quarter Annual Progressive (Nu.)	OAAG, S/Jongkhar Annual Progressive (Nu.)	OAAG, Bumthang Annual Progressive (Nu.)	OAAG, Tsir Annual Progressive (Nu.)	Head Quarter Annual Progressive (Nu.)	OAAG, S/Jongkhar Annual Progressive (Nu.)	OAAG, Bumthang Annual Progressive (Nu.)	OAAG, Tsir Annual Progressive (Nu.)				
<b>1</b>	<b>Opening Balance :</b>												
	a. Cash			7,526.06									
	b. Bank												
<b>2</b>	<b>Releases:</b>	38,788,583.00	4,610,000.00	4,293,110.00	5,179,000.00								
	a. Budgetary												
	b. Non-Revenue												
	c. Refundable Deposits				26,714.00								
	d. Un-cashed Cheques				2,500.00								
<b>3</b>	<b>Grants in-Kind:</b>												
	a. Donor A												
	b. Donor B												
<b>4</b>	<b>Borrowings in-Kind:</b>												
	a. Lender A												
	b. Lender B												
<b>5</b>	<b>Revenue Recoveries/Remittances.</b>	1,951,580.72	128,487.00	67,816.00	71,739.00	2,219,622.72			1,951,580.72	128,487.00	67,816.00	71,739.00	2,219,622.72
<b>6</b>	<b>Other Recoveries/Remittances:</b>												
	a. GPF: Employees Contribution	1,304,886.00	143,105.00	134,562.00	126,917.00	1,709,470.00			1,304,886.00	143,105.00	134,562.00	126,917.00	1,709,470.00
	b. Govt. Insurance Scheme	199,220.00	20,560.00	17,700.00	19,280.00	256,760.00			199,220.00	20,560.00	17,700.00	19,280.00	256,760.00
	c. Other Insurance Premia	315,597.00	25,056.00	25,072.00		365,725.00			315,597.00	25,056.00	25,072.00		365,725.00
	d. Loans from Fin. Instts.	2,154,695.00	234,849.00	234,550.00	201,992.00	2,826,086.00			2,154,695.00	234,849.00	234,550.00	201,992.00	2,826,086.00
	e. Others	1,925,254.50	296,790.00	86,195.44	198,228.00	2,506,467.94			1,925,254.50	296,790.00	86,195.44	198,228.00	2,506,467.94
<b>7</b>	<b>Personal Advances.</b>	4,195,275.05	857,198.09	948,084.00	1,009,216.00	7,009,773.14			4,318,519.00	788,110.00	878,330.00	942,500.00	6,927,459.00
<b>8</b>	<b>Miscellaneous Receipts/Payments:</b>												
	a. Non-Revenue A/C. Deposits												
	b. Refundable Deposit A/C. Deposits												
	c. Payments to DBA												
	d. Others	15,782.00		38,700.00		54,482.00			110,950.55	40,513.00	38,700.00	26,714.00	34,240.06
													190,163.55







**ROYAL AUDIT AUTHORITY**  
Expenditure Statement  
For A/C. No. 108.01/01 - LC

FAM-9.12

**For the Year Ending JUNE - 2007**

OBC	Name	Current Budget (Nu.)					Annual Progressive Expenditure (Nu.)					Total (Nu.)	Variance
		HQ	OAAAG,S/J	Bum.	Tsirang	Total (Nu.)	HQ	OAAAG,S/J	Bum.	Tsirang	Total (Nu.)		
1.01	Pay & Allowances	21,549,000.00	2,304,000.00	2,151,000.00	2,265,000.00	28,269,000.00	20,238,447.83	2,257,578.00	2,150,148.00	2,092,186.00	26,738,359.83	5.41%	
2.01	Other Personnel Emoluments	196,000.00	115,000.00	75,000.00	76,000.00	462,000.00	162,200.00	86,800.00	71,300.00	74,400.00	394,700.00	14.57%	
11.01	Travel - Incountry	6,816,000.00	1,181,000.00	1,270,000.00	1,793,000.00	11,060,000.00	6,813,359.23	1,180,960.00	1,202,338.00	1,751,881.00	10,948,538.23	1.01%	
11.02	Travel - Outside Bhutan	990,000.00				990,000.00	989,727.72				989,727.72	0.03%	
12.01	Utilities -Telephones, Telex, Fax, E-mail, Internet	910,000.00	155,000.00	112,000.00	105,000.00	1,282,000.00	909,694.72	114,062.50	106,591.00	105,000.00	1,235,348.22	3.64%	
12.02	Utilities -Telegram, Wireless Transmission, Postage	221,000.00	45,000.00	35,000.00	30,000.00	331,000.00	220,515.00	43,465.00	34,992.00	30,000.00	328,972.00	0.61%	
12.03	Utilities - Electricity, Water, Sewerage	228,000.00	20,000.00	20,000.00	18,000.00	286,000.00	227,259.00	19,110.70	11,495.00	17,999.38	275,864.08	3.54%	
13.01	Rental on Properties- Building	13,000.00		152,000.00	36,000.00	201,000.00	12,600.00		151,800.00	31,583.00	195,983.00	2.50%	
14.01	S & M - Office Supplies, Printing, Publications	1,773,000.00	110,000.00	78,000.00	194,000.00	2,155,000.00	1,772,538.85	108,642.00	69,993.00	194,000.00	2,145,173.85	0.46%	
15.06	Maintenance of Property - Plantation				10,000.00	10,000.00				10,000.00	10,000.00	0.00%	
15.01	Maintenance of Property - Buildings	91,000.00	20,000.00		28,000.00	139,000.00	90,126.18	20,000.00		28,000.00	138,126.18	0.63%	
15.02	Maintenance of Property - Vehicles	1,162,000.00	132,000.00	132,000.00	177,000.00	1,603,000.00	1,161,886.30	131,999.80	131,999.22	157,917.00	1,583,802.32	1.20%	
15.05	Maintenance of Property - Equipment	23,000.00	12,000.00		12,000.00	47,000.00	22,266.00	11,210.00		12,000.00	45,476.00	3.24%	
15.07	Maintenance of Property - Computers	33,000.00	22,000.00	18,000.00	20,000.00	93,000.00	32,750.00	22,000.00	12,250.00	20,000.00	87,000.00	6.45%	
17.01	Op. Exp. - Advertising	46,000.00			10,000.00	56,000.00	45,770.00			9,999.50	55,769.50	0.41%	
17.02	Op. Exp. - Taxes, Duties, Royalties, Handling Charges, Bank Charges	6,000.00	10,000.00	8,000.00	5,000.00	29,000.00	3,109.00	8,842.50	3,545.00	5,000.00	20,496.50	29.32%	
18.01	Hospitality & Entertainment	200,000.00	20,000.00	11,000.00	20,000.00	251,000.00	198,749.50	19,918.00	10,694.00	19,991.00	249,352.50	0.66%	
21.01	Current Grants - Individuals/Non-profit Orgs.	100,000.00				100,000.00	99,389.00				99,389.00	0.61%	
24.03	Contributions - Provident Fund	1,306,000.00	150,000.00	137,000.00	145,000.00	1,738,000.00	1,304,420.00	143,105.00	134,562.00	126,917.00	1,709,004.00	1.67%	
24.01	Subscriptions to International Organisation	92,000.00	14,000.00			106,000.00	91,396.98	14,000.00			105,396.98	0.57%	
25.01	Retirement Benefits	33,000.00		10,000.00		43,000.00	33,000.00		9,300.00		42,300.00	1.63%	
45.02	Training - Others	133,000.00				133,000.00	132,654.60				132,654.60	0.26%	
54.03	Computers & Peripherals	1,087,000.00	250,000.00	110,000.00	150,000.00	1,597,000.00	1,086,977.00	248942	106,994.00	150,000.00	1,592,913.00	0.26%	
54.01	Furniture	640,000.00	50,000.00		40,000.00	730,000.00	639,230.93	43,737.00		40,000.00	722,967.93	0.96%	
54.02	Office Equipments	171,000.00			45,000.00	216,000.00	170,044.49			45,000.00	215,044.49	0.44%	
55.01	Professional Services	152,000.00				152,000.00	151,896.00				151,896.00	0.07%	
88.01	Personal Advances												
93.05	PWA - Others												
	<b>Total RGOB Financing Current</b>	<b>35,788,000.00</b>	<b>4,310,000.00</b>	<b>4,209,000.00</b>	<b>4,944,000.00</b>	<b>49,251,000.00</b>	<b>34,429,205.31</b>	<b>4,181,693.50</b>	<b>4,101,007.22</b>	<b>4,686,873.88</b>	<b>47,398,779.91</b>		
	<b>Capital</b>	<b>2,183,000.00</b>	<b>300,000.00</b>	<b>110,000.00</b>	<b>235,000.00</b>	<b>2,828,000.00</b>	<b>2,180,803.02</b>	<b>292,679.00</b>	<b>106,994.00</b>	<b>235,000.00</b>	<b>2,815,476.02</b>		





# 2

## CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS

### 2.1 Summary of the Auditors' Report on the Annual Financial Statements of the Government for the Period 2006-2007

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The consolidated Annual Financial Statements of the Royal Government of Bhutan for the Financial Year ended 30<sup>th</sup> June 2007 was audited by RAA as required under the Audit Act of Bhutan 2006 and the Public Finance Act of Bhutan 2007. The audit was conducted in accordance with the General Auditing Rules and Regulations (GARR) 1989 and the Generally Accepted Auditing Standards (GAAS).

The RAA during the year had also initiated the certifications of the individual Letter of Credit (LC) accounts of the budgetary agencies in line with the Audit Act of Bhutan 2006. This was aimed at introducing a balanced reporting system while facilitating better compilation of the consolidated accounts. The copies of the certification reports of the individual LC accounts were also endorsed to the Ministry of Finance for corrective measures in respect of recommendations contained in the reports.

The Annual Financial Statements showed an approved budget of Nu.18,930.026

million and a resource gap of Nu.853.109 million during the Financial Year 2006-2007. The budget was revised to Nu.21,158.355 million increasing the budget deficit to Nu.1,390.222 million at the end of the Financial Year. However, the actual total expenditures for the Financial Year was Nu.17,482.695 million which was 8% and 17% lower than the approved and the revised budget respectively. At the end of the year, the Government had a budget surplus of Nu.642.612 million. Based on the examination of the accounts and records and information and explanation provided, the RAA is pleased to report that the Annual Financial Statements, in its opinion, fairly depicted the budgetary operations of the Royal Government for the period ending 30<sup>th</sup> June 2007.

The Department of Public Accounts had also incorporated most of the recommendations made by the RAA over the years. The certificate of the Auditor General and the Financial Statements are appended hereunder:



ལྷན་ཁག་ལྷན་ཁག་  
**ROYAL AUDIT AUTHORITY**  
*Bhutan Integrity House*



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

RAA (PPD-CERT-AFS) 2008/7350

April 7, 2008.

**The certificate of the Auditor General on the Annual Financial Statements of the Royal Government of Bhutan for the Financial Year 2006-2007**

1. The Royal Audit Authority audited the Annual Financial Statements of the Royal Government of Bhutan for the Financial Year 2006-2007, attached hereto, as required under the Audit Act of Bhutan 2006.
2. The Annual Financial Statements as prescribed under Section 23 Sub-section J of the Public Finance Act of Bhutan, 2007 and Chapter XI, Section 11.1.1.4 of the FRR 2001 are the responsibility of the Ministry of Finance. The RAA's responsibility is to express an opinion on these financial statements based on the audit conducted by it.
3. The RAA has conducted the audit in accordance with the General Auditing Rules & Regulations (GARR) 1989 and in conformity with the generally accepted auditing standards. These standards require that the RAA plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes determining on a test basis, evidence supporting the amounts and disclosures in the financial statements. The RAA believes that its audit provides a reasonable basis for its opinion.
4. Based on the examination of accounts and records made available and information and explanations provided to the auditors, the RAA reports that in its opinion the Annual Financial Statements together with schedules and notes fairly present the budgetary operations of the Royal Government for the year ended 30<sup>th</sup> June 2007 and the position of debts and equity portfolio of the Government as on that date.

(Ugen Chewang)  
**Auditor General of Bhutan**





**MINISTRY OF FINANCE  
ROYAL GOVERNMENT OF BHUTAN**

Tashichhodzong  
Thimphu, Bhutan

**STATEMENT OF RESPONSIBILITY**

The Annual Financial Statements for the Royal Government of Bhutan for the Financial Year July 2006-2007 have been prepared by the Department of Public Accounts (DPA), Ministry of Finance (MoF) in accordance with the provisions of the Public Finance Act of the Kingdom of Bhutan 2007 (PFA-2007) and the Financial Rules and Regulations 2001 (FRR-2001).

We further state that, the financial statements are prepared based on the information recorded in the computerised system of Central Budgeting and Accounting System (CBA) as per the monthly accounts statements submitted by the spending agencies and the information received from other relevant agencies and organisations and reflects the financial position of the Royal Government as at 30<sup>th</sup> June 2007 and its operations for the financial year ended on that date.

We accept the responsibility for the reliability and completeness of these Financial Statements, the information they contain and their compliance with the PFA-2007 and the FRR-2001.

Handwritten signature of Yanki T. Wangchuk in black ink.

Yanki T. Wangchuk  
Secretary  
Ministry of Finance

28<sup>th</sup> December 2007

Handwritten signature of Nim Dorji in black ink.

Nim Dorji  
Director  
Department of Public Accounts

28<sup>th</sup> December 2007

**THE CONSOLIDATED RECEIPTS & PAYMENTS STATEMENT FOR THE FISCAL YEAR  
2006-2007**

**(Nu. in million)**

<b>Sl.No.</b>	<b>RECEIPTS</b>	<b>AMOUNT</b>	<b>Sl.No.</b>	<b>PAYMENTS</b>	<b>AMOUNT</b>
<b>1</b>	<b>Opening Balances :</b>	<b>(92.756)</b>	<b>1</b>	<b>Expenditure :</b>	<b>15,166.107</b>
	i) Cash	33.017		i) Current	7,636.225
	ii) Bank	(125.773)		ii) Capital	7,529.882
<b>2</b>	<b>Internal Revenue :</b>	<b>10,082.160</b>	<b>2</b>	<b>Repayment of Loans :</b>	<b>668.616</b>
	i) Tax Revenue	4,266.911		i) Internal	175.302
	ii) Non Tax Revenue	5,815.249		ii) External	493.314
<b>3</b>	<b>External Grants :</b>	<b>6,000.934</b>			
	i) Cash	5,031.532	<b>3</b>	<b>Lendings:</b>	<b>463.524</b>
	ii) Kind	969.402			
<b>4</b>	<b>Borrowings:</b>	<b>1,023.461</b>	<b>4</b>	<b>Other Payments:</b>	<b>55.148</b>
	i) Internal	-			
	ii) External	1,023.461			
<b>5</b>	<b>Recovery of Loans:</b>	<b>376.140</b>	<b>5</b>	<b>Increase in dv./Susp.</b>	<b>3,863.842</b>
<b>6</b>	<b>Other Receipts:</b>	<b>-</b>	<b>6</b>	<b>Closing Balances:</b>	<b>549.856</b>
				i) Cash	48.392
<b>7</b>	<b>Decrease in adv./Susp.</b>	<b>3,377.154</b>		ii) Bank	501.464
	<b>TOTAL</b>	<b>20,767.093</b>		<b>TOTAL</b>	<b>20,767.093</b>

**Source:** DPA, DRC, DADM, Spending Agencies

**Note:** The figures of current expenditure and external borrowing are exclusive of Nu.3.364m each. These pertain to interest paid on loan from the ADB through capitalization of disbursement.

**SUMMARY OF VARIATION BETWEEN APPROVED AND REVISED BUDGET ESTIMATES AND ACTUAL OUTCOMES OF FOR THE FY 2006-2007**

(Nu. in Million)

APPLICATION OF FUNDS	BUDGET ESTIMATES		ACTUAL OUTCOME	% VARIATION			SOURCE OF FUNDS	BUDGET ESTIMATES		ACTUAL OUTCOME	% VARIATION		
	APPROVED	REVISED		APPD./ REVI.	APPD./ ACT.	REVI./ ACT.		APPROVED	REVISED		APPD./ REV.	APPD./ ACT.	REVI./ ACT.
I. EXPENDITURE:	17,775.963	19,986.713	15,166.107	12.4	(14.7)	(24.1)	I. INTERNAL RECEIPTS	10,121.982	9,618.925	10,082.160	(5.0)	(0.4)	4.8
i. Current	7,961.974	8,466.464	7,636.225	6.3	(4.1)	(9.8)	i) Tax	5,586.850	4,073.717	4,266.911	(27.1)	(23.6)	4.7
ii. Capital	9,813.989	11,520.249	7,529.882	17.4	(23.3)	(34.6)	ii) Non-Tax	4,535.132	5,545.208	5,815.249	22.3	28.2	4.9
II. REPAYMENTS:	651.803	671.884	668.616	3.1	2.6	(0.5)	II. RECOVERY OF LOANS	376.640	376.640	376.140	-	(0.1)	(0.1)
i. Internal	175.303	175.303	175.302	-	(0.0)	(0.0)	III. GRANTS	6,234.721	7,773.458	6,000.934	24.7	(3.7)	(22.8)
ii. External	476.500	496.581	493.314	4.2	3.5	(0.7)	i) In Cash	6,168.120	6,751.107	5,031.532	9.5	(18.4)	(25.5)
III. LENDING	502.260	499.758	463.524	(0.5)	(7.7)	(7.3)	ii) In Kind	66.601	1,022.351	969.402	1,435.0	(5.2)	48.0
IV. ADVANCES (Net)	-	-	486.688				IV. BORROWINGS	1,287.344	1,593.515	1,023.461	23.8	(20.5)	(35.8)
V. OTHER PAYMENTS	-	-	55.148				i) Internal	-	-	-	-	-	-
	-	-					ii) External	1,287.344	1,593.515	1,023.461	23.8	(20.5)	(35.8)
VI. SURPLUS	-	-	642.612		-	-	V. OTHER RECEIPTS	56.230	405.595	-	621.3	(100.0)	(100.0)
							VI. DEFICIT	853.109	1,390.222	-	-	-	-
<b>TOTAL PAYMENTS</b>	<b>18,930.026</b>	<b>21,158.355</b>	<b>17,482.695</b>	<b>11.8</b>	<b>(7.6)</b>	<b>(17.4)</b>	<b>TOTAL RECEIPTS</b>	<b>18,930.026</b>	<b>21,158.355</b>	<b>17,482.695</b>	<b>11.8</b>	<b>(7.6)</b>	<b>(17.4)</b>

**Source:** Department of Public Accounts (DPA), Department of Aid and Debt Management (DADM) and Department of Revenue and Customs (DRC).

**Note:** (i) Approved budget estimates is as reported to National Assembly session of June 2006.

(ii) Revised budget estimates is as on 30 June 2007.

(iii) The figures of current expenditure and external borrowing are exclusive of Nu. 3.364m each which pertains to interest paid on loan from the ADB through capitalization of disbursement.

## STATEMENT OF GOVERNMENT EQUITY PORTFOLIO FOR THE YEAR ENDED JUNE 30, 2007

(Nu. in million)

**STATEMENT OF OUTSTANDING DEBT OF THE GOVERNMENT FOR THE PERIOD ENDED JUNE 30, 2007**

(Amounts in Agreement Currencies)

AGENCY	Loan Committed		Opening balances as on 01/07/06	W I T H D R A W A L S			REPAYMENTS DURING THE YEAR			Closing Balances as on 30/06/07	Closing Balances in USD	Debt to GDP Ratio	
				Principal	Interest & Charges accrued during the year		Total Liability incurred during the year	Principal	Interest & S/Charges				Total
	Curr.	Amount			Interest	C'ment fees/ S/charges							
<b>A. INTERNAL</b>	<b>Nu.</b>	<b>0.000</b>	<b>1,753.023</b>	<b>0.000</b>	<b>103.126</b>	<b>0.000</b>	<b>103.126</b>	<b>175.302</b>	<b>103.126</b>	<b>278.428</b>	<b>1,577.721</b>	<b>38.566</b>	<b>3%</b>
Ways & Means Accounts (BoB)	Nu.	0.000	-	0.000	6.710	0.000	6.710	0.000	6.710	6.710	0.000	0.000	
Long-term loan for RGoB Equity in Drukair	Nu.	0.000	1,753.023		96.416	0.000	96.416	175.302	96.416	271.718	1,577.721	38.566	
<b>B. EXTERNAL: GOI</b>	<b>Rs.</b>	<b>19,538.64</b>	<b>18,400.238</b>	<b>243.904</b>	<b>209.346</b>	<b>0.000</b>	<b>453.250</b>	<b>274.216</b>	<b>209.346</b>	<b>483.562</b>	<b>18,369.926</b>	<b>449.033</b>	<b>39%</b>
Chukha Hydro Power Corporation	Rs.	98.638	175.100		7.652		7.652	87.550	7.652	95.202	87.550	2.140	
Tala Hydro Power Corporation	Rs.	17,200.00	16,358.472	243.904	0.000		243.904	0.000	0.000	0.000	16,602.376	405.827	
Kurichu Hydro Power Corporation	Rs.	2,240.00	1,866.666		201.694		201.694	186.666	201.694	388.360	1,680.000	41.066	
<b>C. EXTERNAL: OTHER THAN GOI</b>	<b>Nu.</b>		<b>10,304.389</b>	<b>1023.461</b>	<b>130.822</b>		<b>1154.283</b>	<b>219.098</b>	<b>130.822</b>	<b>349.920</b>	<b>11,108.752</b>	<b>290.084</b>	<b>24%</b>
World Bank (IDA)	SDR	71.652	47.102	6.020	0.622	0.000	6.642	0.519	0.622	1.141	52.603	79.412	
Asian Development Bank (ADB)	SDR	121.694	66.993	4.426	0.916	0.000	5.342	1.011	0.916	1.927	70.408	106.291	
Kuwait Fund for Arab Eco.Dev.(KFAED)	KD	8.296	0.311	0.000	0.008	0.000	0.008	0.124	0.008	0.132	0.187	0.647	
International Fund for Agri.Dev.(IFAD)	SDR	27.284	14.393	1.506	0.201	0.000	1.707	0.277	0.201	0.478	15.622	23.584	
Govt of Austria - BHPP	Euro	48.400	47.906	0.490	0.887	0.000	1.377	0.857	0.887	1.744	47.539	63.992	
Govt. of Denmark - Rural Telecom Network	Euro	13.009	7.147	5.507	0.008	0.000	5.515	0.650	0.008	0.658	12.004	16.159	
<b>Grand Total</b>	<b>Nu.</b>		<b>30,457.650</b>	<b>1,267.365</b>	<b>443.294</b>	<b>-</b>	<b>1,710.659</b>	<b>668.616</b>	<b>443.294</b>	<b>1,111.910</b>	<b>31,056.399</b>	<b>777.682</b>	<b>66%</b>

Note: Exchange rates used for conversion: 1SDR = 1.50964 USD; 1KD = 3.461 USD; 1EURO = 1.346099 USD & 1USD = NU. 40.91

Source: Internal - DPA and (ii) External - DADM

Sl. No	Corporations	Shareholding as on 01/07/2006				Investment		Divestment		Shareholding as on 30/06/2007		
		No. of shares	Value (Nu)	% Holding	Face value	No. of shares	Amount	No. of share	Amount	No. of shares	Value (Nu)	% Holding
<b>I</b>	<b>Manufacturing</b>	<b>8,370,769</b>	<b>6,915,220</b>			-	-	<b>245,000</b>	<b>24,500</b>	<b>9,858,187</b>	<b>7,212,460</b>	
1	Army Welfare Project	25,000	25,000	100%	1000					25,000	25,000	100%
2	Bhutan Agro Industries	290,636	29,064	100%	100					290,636	29,064	100%
3	Penden Cement Authority	106,742	106,742	47.09%	100					1,067,420	106,742	47%
4	Bhutan Board Products	678,734	67,873	47.74%	100					678,734	67,873	48%
5	Bhutan Ferro Alloys	385,946	39,400	25.73%	100					385,946	39,400	26%
6	Forestry Development Corporation	300,000	30,000	100%	100					300,000	30,000	100%
7	Chukha Hydro Power Corpn.	2,303,556	2,303,556	100%	100					2,303,556	2,303,556	100%
8	Wood Craft Centre	-	33,430	100%	-					-	33,430	100%
9	Kuensel Corporation *	50,000	50,000	100%	100			245,000	24,500	255,000	25,500	51%
10	Basoch Hydro Power Corpn.	937,862	937,862	100%	1000					1,259,602	1,259,602	100%
11	Kurichu Hydro Power Corpn.	3,292,293	3,292,293	100%	1000					3,292,293	3,292,293	100%
<b>II</b>	<b>Trading</b>	<b>117,000</b>	<b>25,200</b>			-	-	-	-	<b>117,000</b>	<b>25,200</b>	
1	Food Corporation of Bhutan	15,000	15,000	100%	1000					15,000	15,000	100%
2	State trading Corporation of Bhutan	102,000	10,200	51%	100					102,000	10,200	51%
<b>III</b>	<b>Services</b>		<b>8981,620</b>			-	-	-	-	<b>30,363,825</b>	<b>8,947,052</b>	
1	Bhutan Postal Corporation	235,952	23,595	100%	100					235,952	23,595	100%
2	Druk Air Corporation	22,252,111	2,225,211	100%	100					22,252,111	2,225,211	100%
3	Bhutan Telecom Corporation	854,082	854,082	100%	1000					854,082	854,082	100%
4	Bhutan Power Corporation **	5,747,897	5,747,897	100%	1000					5,713,329	5,713,329	100%
5	Bhutan Broadcasting Service	1,308,351	130,835	100%	100					1,308,351	130,835	100%
<b>IV</b>	<b>Financial Institutions</b>	<b>705,764</b>	<b>220,876</b>			-	-	-	-	<b>705,764</b>	<b>220,876</b>	
1	Bhutan National Bank	161,984	16,198	13.61%	100					161,984	16,198	14%
2	Bank of Bhutan	80,000	80,000	80%	1000					80,000	80,000	80%
3	Royal Insurance Corpn. of Bhutan	376,780	37,678	39.25%	100					376,780	37,678	39%
4	Bhutan Development Finance Corpn.	87,000	87,000	87%	1000					87,000	87,000	87%
	<b>Total</b>	<b>9,193,533</b>	<b>16,142,917</b>			-	-	<b>245,000</b>	<b>24,500</b>	<b>41,044,776</b>	<b>16,405,589</b>	

**Note:** **Source:** Public Enterprise Division, Ministry of Finance

\* Face value of the share was reduced from Nu.1000 to Nu.100 per share. 49% shares divested in September 2006

\*\* The reduction in capital is worked out as follows:

Share capital as of 30.06.2006 =

**Add:** Additional capital injected by RGoB (Rural Electrification)=

**Less:** i. Capital transfer to BHPCL (Basochhu substation) =

ii. Refund to DADM by way of reduction of Equity Capital =

**Share capital as of 30.06.2007 =**

5747,897

279,434

-312,198

-1,804

5713,329

# 3

## AUDIT IMPACTS

Over the years, the Royal Audit Authority had been issuing several thousands of audit reports. During the 9<sup>th</sup> Five Year Plan itself (excluding the extended period), the RAA had issued a total of 1,663 audit reports in addition to issuing the Annual Audit Reports. So far the success of the RAA had been judged solely based on the number of audits planned and conducted, and the amount of recoveries made. However, the RAA never analysed and documented the

impacts that it had been creating through these audits on the agencies, ministries and the government. Effectiveness of any operation or activity should not only be judged on achieving the intended objectives but also the impact that it had created on the agency, ministry or on the society at large. While separate study on the impact of audit had not been done, several notable audit impacts have been observed, both through audits and their reports, as detailed below:

### 3.1 Audit Recoveries

The RAA had been recovering millions of Ngultrums every year in the form of Audit Recoveries. During the last five years, the RAA recovered a total sum of Nu. 216.78

million, excluding the amount recovered in the corporations, financial institutions and other NGOs, as detailed below:

Years	2003	2004	2005	2006	2007	TOTAL
Amount (Nu. Millions)	17.857	22.513	29.771	45.651	100.989	216.78

**Note:** The recoveries reflected against 2007 are inclusive of the recoveries for the 1<sup>st</sup> quarter of 2008 from the audits conducted in 2007.

Since the amounts recovered are paid back to the government, these amounts are

reinvested in other important activities of the government.

### 3.2 Rules, Regulations, Manuals and Other Documents Reviewed and Updated

Generally, the need for review and amendment of rules and regulations are only felt when there is an audit objection. The RAA had also been providing recommendations on the need to review and update the rules and regulations including the manuals in almost all its AARs. In this context, it is encouraging to

note that several rules and regulations including the procurement manual of the government are being reviewed and updated. Further, several agencies including the armed forces have come out with their service rules and other manuals.

Besides several outdated, conflicting and contradicting terms and clauses in the contract agreement and other documents have also been reviewed, amended, deleted or added based on the recommendations of the RAA. For

example, the Government is preparing a Standard Bidding Document due to several complications involved in the bidding process which were frequently being raised by the RAA in its audit.

### **3.3 Strengthened Internal Auditors**

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The RAA had been one of the strong promoters of internal audit system in Bhutan. The need for instituting and strengthening internal audits have been raised in the audit reports of all agencies where they do not have internal auditors. Besides, the AAR 2005 and AAR 2006 strongly recommended on the need to

strengthen the internal audit system. The RAA had also been providing several in-house trainings and accepting attachment courses for the internal auditors. These days almost all government ministries, agencies, corporations and armed forces have separate internal audit units.

### **3.4 Improved Compliances to Rules and Regulations**

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As observed from the number of irregularities detected during the process of auditing, the overall compliance to government rules and regulations has improved over the years. Besides, the system of issuing audit clearances and

fixing accountability has created awareness amongst civil servants and corporate employees on settling their financial accountabilities including several long outstanding advances.

### **3.5 Uniformity in the Application of Rules and Regulations**

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During the process of auditing, the RAA had been providing clarity in the application of rules and regulations which

had led to the uniformity in their application.

### **3.6 Several Senior Officers Convicted based on the RAA Reports**

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Based on the reports of the RAA containing significant issues of fraud and corruption, several senior Government officers from the agencies like Army Welfare Project, National Women

Association of Bhutan, Ministry of Education, Construction Development Board, Youth Development Fund and others have been convicted by the Royal Court of Justice.



### **3.7 Alerted and Discouraged People from Engaging in Fraud and Corruption**

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With the RAA reporting several cases of irregularities including fraud and corruption through its various reports and the accountability being fixed on the responsible officials, people have been made to rethink before indulging in any fraudulent or corrupt practices. In

addition, as given in Sl. No. 3.6 above, several senior civil servants have been convicted by the Court based on the RAA reports. All these have alerted the people of the consequences of involvement in fraud and corruption and restraint them from indulging into such activities.

### **3.8 General Awareness on the Need for Auditing**

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The RAA had been receiving several requests for auditing from the government ministries and agencies. The ministries and agencies have also been providing full

support and cooperation during the process of auditing. All these are indicative of the fact that people have become aware of the need for auditing.

### **3.9 Improved Documentation**

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The success of any audit would largely depend on the maintenance of proper documents. Therefore, lack of proper documents would be viewed seriously by the auditors. Since auditors have been advising on the need to maintain proper

documents in all their audits, there had been a unanimous feedback from the auditors about the marked improvement in the maintenance of documents in various government agencies including corporations and the armed forces.

### **3.10 Improved Accountability of Government Properties**

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Non accountal of assets and other government properties had been one of the frequently occurring observations in the audit. Besides, several unaccounted assets have been made to account for in the relevant ledgers and registers. In the process, several assets and properties of the government were being properly accounted and registered.

Besides, there are several agency specific impacts which helped the agencies in improving their overall internal control

system and the delivery of services to the customers.

The credit for such audit impacts should be given solely to the agencies themselves for taking appropriate timely actions on the observations and recommendations of the RAA.

The RAA will attempt to conduct detailed study of the impacts of audit after every certain intervals of time and present it in the Annual Audit Report.

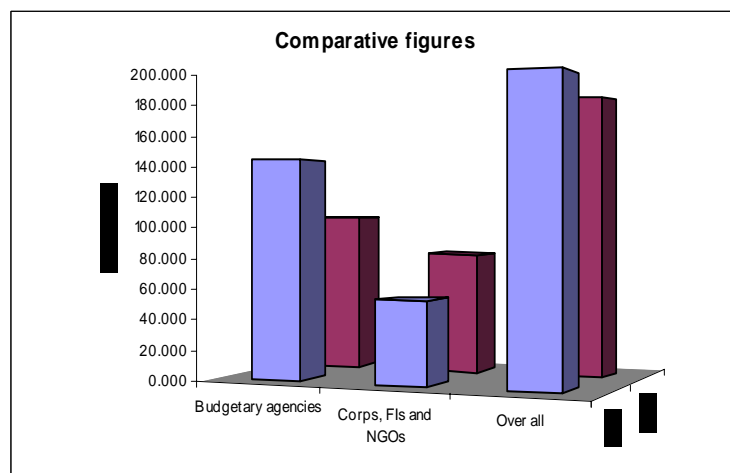
# 4

## SUMMARY OF AUDIT FINDINGS

The audit findings and recommendations from the Audit Reports issued from 1<sup>st</sup> January to 31<sup>st</sup> December constitute the single most significant source of input to the Annual Audit Reports (AAR). While the recommendations were gathered by

analysing all the issues raised including the observations made during the process of auditing, the audit findings consist mainly of the unresolved issues of significance.

During the year, the Royal Audit Authority issued 500 Audit Reports to the Government and its instrumentalities, corporations, financial institutions and NGOs. The overall significant unresolved irregularities, from these reports, incorporated in AAR 2007 amounted to Nu. 199.080



million as compared to Nu. 186.775 million in AAR 2006 as presented in the graph above. The increase of 6.58% is solely from the increase in unresolved irregularities in the budgetary agencies

due to the focussed auditing approach introduced by the RAA in 2007. The overall unresolved significant irregularities are presented in the table below:

Sl. No.	Category of agencies	Nu. in million 2007	Nu. in million 2006	Nu. in million Difference
1	Government & its instrumentalities	144.900	105.932	38.968
2	Corporations, Financial Institutions and NGOs	54.180	80.843	(26.663)
	<b>Total</b>	<b>199.080</b>	<b>186.775</b>	<b>12.305</b>

The overall unresolved significant irregularities have been bifurcated into Budgetary Agencies and Corporations,

Financial Institutions & NGOs and accordingly explained as hereunder:

## 4.1 Budgetary Agencies

Budgetary agencies consist of Ministries & Departments, Dzongkhags, Gewogs and Autonomous Bodies. During the year, the RAA issued 338 audit reports under the

budgetary agencies. The overall status of the total audit observations issued to budgetary agencies during the year stands as follows:

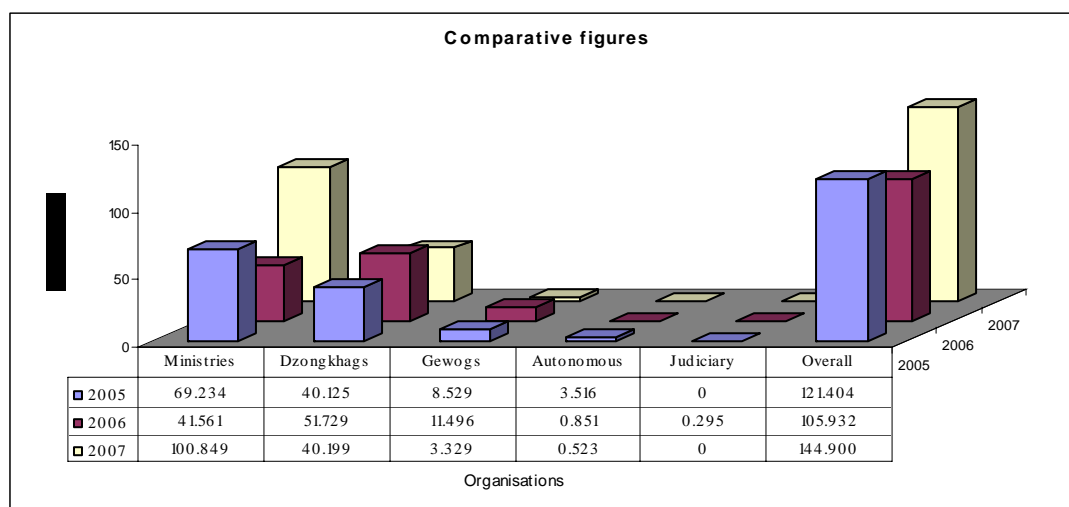
Particulars	Number	Monetary Involvement (Nu. Millions)
Observations Issued	2051	1,399.852
Observations Settled	1406	1,102.258
Balance Observations	645	297.594

*Summary of category of irregularities reported in ARR 2007 under budgetary Agencies:*

1. *Fraud, Corruption & Embezzlement – Nu.39.280 million;*
2. *Mismanagement – Nu.23.173 million;*
3. *Violation of Laws, Rules and Regulations – Nu.14.656 million;*
4. *Shortfalls, Lapses and Deficiencies – Nu.67.791 million*

**Total Nu. 144.900 million**

As against the unresolved irregularities of Nu.297.594 million, the total significant irregularities reported in the AAR 2007 amounted to Nu.144.900 million. The figure as compared to Nu.105.932 million in 2006 and Nu.121.404 million in 2005 had increased by 36.78% and 19.35% respectively, as illustrated below:



*The summary of the findings are presented in table 4.1.*

While there had been improved compliances by the agencies both in settling the audit observations and in complying with the general rules and

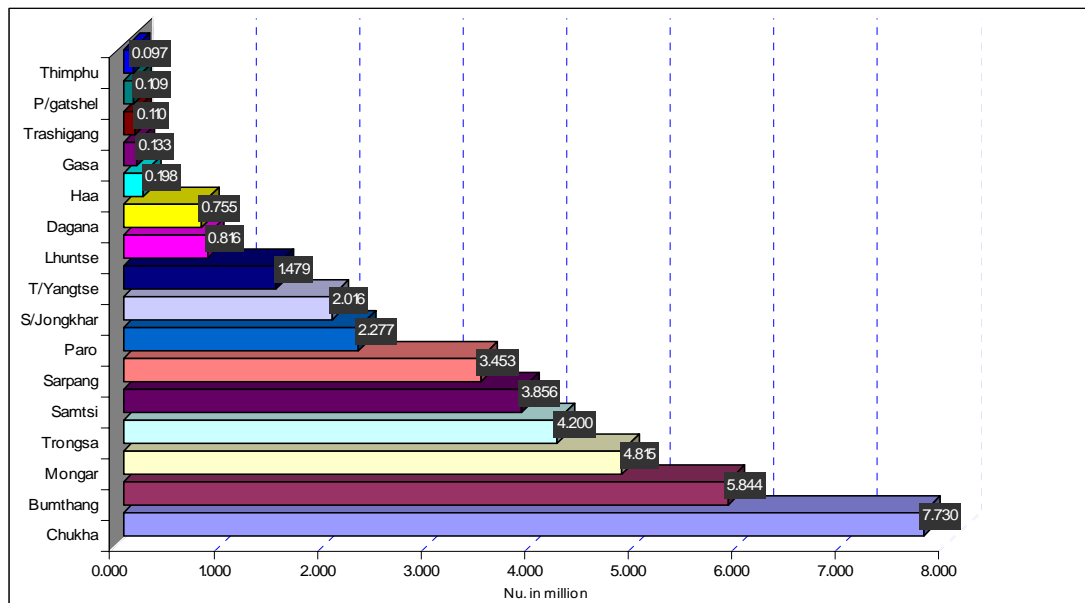
regulations, the overall increase in the irregularities could be mainly attributed to the shift in the auditing approach to a more focussed auditing in 2007.

#### 4.1.1 MoWHS & Dzongkhags record the highest irregularities

The Ministry of Works & Human Settlement recorded the highest amounts of irregularities with Nu.48.638 million followed by the Dzongkhag Administrations with Nu.40.199 million. The Ministry's irregularities represented 33.56% of the total significant

irregularities of AAR 2007. One of the major contributors to the increase in irregularities is the focussed auditing of the Expressway Project under the Department of Roads.

The Dzongkhag wise irregularities are graphically depicted below:



As evident from above, the Chukha Dzongkhag recorded the highest amounts of irregularities amounting to Nu. 7.730

million followed by Bumthang Dzongkhag with Nu.5.844 million.

#### 4.1.2 Irregularities in advances, constructions and payments continue to grab major portion of the irregularities

The irregularities in advances, malpractices and abuses and violation of accounting norms had contributed the major portion of the significant findings representing 66.38% of the total irregularities in AAR 2007. Despite alerting the Government on the issue in

the AAR 2006, there had been a drastic increase in these irregularities.

*The Ministry of Education had the highest cases of strong indicators of fraud, corruption and embezzlement under budgetary agencies amounting to Nu.13.584 million in 2007*

### 4.1.3 Fraud, Corruption and Embezzlement

As compared to the previous years, the 2007 reported the highest cases of strong indicators of fraud, corruption and embezzlement. Total funds amounting to Nu. 39.280 million were siphoned off through forgery and tampering of documents, malpractices and abuses, misappropriation and non/short account of funds and properties. The Fraud, Corruption and Embezzlement cases represented 27.10% of the total unresolved significant irregularities. The Ministry of Education had the highest cases of strong indicators of fraud, corruption and embezzlement under

budgetary agencies, amounting to Nu.13.584 million in 2007. The fraud and corruption case in the MoE mainly pertains to a single scam in the procurement of science laboratory equipment, where funds amounting to Nu. 13.068 million were siphoned off through illegitimate payments. What is most significant to note was that the illegitimate payments represented 45.27% of the total cost of procurement.

The agency wise cases of strong indicators of fraud, corruption and embezzlement are depicted in the table below:

Sl.No	Agency responsible	Amount (Nu. in million)
1	Ministry of Agriculture	3.648
2	Ministry of Economic Affairs	0.393
3	Ministry of Education	13.584
4	Ministry of Foreign Affairs	2.225
5	Ministry of Health	0.079
6	Ministry of Works & Human Settlement	10.314
7	Dzongkhags (aggregate of 14 Dzongkhags)	7.373
8	Gewogs (aggregate of 27 Gewogs)	1.515
9	Autonomous Bodies ( aggregate of 3 agencies)	0.149
	<b>Total</b>	<b>39.280</b>

While the shift to intense audit focus aided in detection of cases of indicators of fraud and corruptions, the systemic lapses including lack of effective control

mechanisms, indifferent attitude of the supervising officers, and the integrity of the dealing officials attributed to perpetration of such practices.

### 4.1.4 Mismanagements

The AAR 2007 reported a figure of Nu. 23.173 million on account of mismanagement of funds, properties, revenue and taxes. The cases of mismanagement represented 15.99% of

the total unresolved significant irregularities. The agency wise cases of mismanagement are depicted in the table below:

Sl.No	Agency responsible	Amount (Nu. in million)
1	Ministry of Agriculture	0.534
2	Ministry of Finance	4.663
3	Ministry of Information & Communication	1.116
4	Ministry of Works & Human Settlement	16.159
5	Dzongkhags (aggregate of 3 Dzongkhags)	0.386
6	Gewogs (aggregate of 6 Gewogs)	0.315
	<b>Total</b>	<b>23.173</b>

While some of the irregularities occurred mainly due to the failure on the part of the dealing officials to levy, collect and account Government revenue and taxes on time, there were many cases where the

taxpayers had failed to deposit the taxes on time. The poor planning or failure to implement the plans had also resulted into blockade of funds and resources.

#### **4.1.5 Violation of Laws and Rules**

The cases of violation of laws, rules and regulations represented 10.11% of the total unresolved significant irregularities of AAR 2007. The RAA reported a sum of Nu.14.656 million on account of violation

of budgetary, accounting and procurement norms. The agency wise cases of violation of laws, rules and regulations are depicted in the table below:

Sl.No	Agency responsible	Amount (Nu. in million)
1	Ministry of Agriculture	1.607
2	Ministry of Education	0.023
3	Ministry of Works & Human Settlement	11.364
4	Dzongkhags (aggregate of 6 Dzongkhags)	1.480
5	Gewogs (aggregate of 2 Gewogs)	0.154
6	Autonomous Bodies (Royal University of Bhutan)	0.028
	<b>Total</b>	<b>14.656</b>

Lack of adequate supervisory controls, complacency and ill-defined delineation

of roles and responsibilities could have attributed to such irregularities.

#### **4.1.6 Shortfalls, Lapses and Deficiencies**

The AAR 2007 reported a figure of Nu.67.791 million on account of over, inadmissible, double and irregular payments including non-production of documents, lapses in constructions, lapses

in property managements, shortfalls & uneconomical operations and advances. Of the total figure reported, Nu.

**Nu. 56.800 million (39.19%) pertained only to the irregularities in advances.**

56.800 million (39.19%) pertained only to the irregularities in advances. The shortfalls, lapses and deficiencies accounted for 46.78% of the total

significant irregularities. The agency wise cases of shortfalls, lapses and deficiencies are depicted in the table below:

Sl.No	Agency responsible	Amount (Nu. in million)
1	Ministry of Agriculture	7.815
2	Ministry of Economic Affairs	0.055
3	Ministry of Education	0.749
4	Ministry of Finance	13.059
5	Ministry of Foreign Affairs	1.205
6	Ministry of Health	1.354
7	Ministry of Information & Communication	0.047
8	Ministry of Labour & Human Resources	0.055
9	Ministry of Works & Human Settlement	10.801
10	Dzongkhags (aggregate of 15 Dzongkhags)	30.960
11	Gewogs (aggregate of 4 Gewogs)	1.345
12	Autonomous Bodies (aggregate of 4 agencies)	0.346
	<b>Total</b>	<b>67.791</b>

The lack of effective control mechanisms and the integrity of the dealing officials and the indifferent attitude of the

supervising officers could have attributed to such irregularities.

## 4.2 Possible Contributory Factors to the Irregularities

It is generally accepted that procurement and construction are the major areas which are highly susceptible to fraud and corruption. In Bhutan, where private construction companies are still in developing stage and the government being the major consumer of goods and services, the risk is even greater. To that extent and based on the lessons learned from the audits undertaken during the 9<sup>th</sup> Five Year Plan, the RAA issued a separate report, on the problems in the construction and procurement, in the form of **Auditor General's Advisory Series in December 2007**. Besides, all audits in 2007 mainly focussed on these two areas,

while at the same time not ignoring the other areas. This had led to several huge recoveries being made from the irregularities related to the construction and procurement.

From the various irregularities that surfaced from these areas, the RAA had come out with a list of major contributory factors that led to the irregularities. While these factors mainly pertain to the irregularities of the reports issued in 2007, the RAA had also taken the privilege of incorporating and reiterating some of the major contributory factors to the irregularities pointed out in the earlier reports issued during the 9<sup>th</sup> Five Year



Plan. The AAR 2007, being the last report to be issued during the 9<sup>th</sup> Five Year Plan, the RAA is of the opinion that the understanding of the factors or the causes could help to avoid recurrence of the irregularities, thereby saving huge government resources. As per the

conservative analysis made in the AG's Advisory Series of December 2007, the government is losing over a billion annually through such irregularities. The following are the major contributory factors:

❖ **Inadequate Planning, Feasibility Studies, Consultations and Coordination**

Construction activities were undertaken without adequate planning, proper feasibility studies, and surveys as well as without consultation and coordination amongst various agencies. There were many cases of estimates being prepared on ad-hoc basis without detailed scrutiny of the designs, drawings and site conditions. Consequently, it resulted into inappropriate designs, unrealistic estimates, abnormal deviations, frequent changes, overlapping and duplications thereby impeding the quality and economy of construction activities.

Besides, the goods and services were also procured without adequate assessment of the qualitative and quantitative requirements, resulting in to excessive procurements, which ultimately led to obsolescence and disposal at throwaway prices or write off of huge stocks.

❖ **Defective Contract Agreements Advantageous to Contractors**

There were several instances of contract agreements signed with contractors, which had unclear and defective terms and conditions or overlooking important clauses such as those relating to penalty provisions for breach of contract, liquidated damages etc. Such omissions in the contract agreement had been exploited by contractors, to their advantage, resulting into high costs and poor quality of works, goods and services.

❖ **“Fit for all” Designs Leading to Delays and High Cost of Construction**

There were also cases where similar constructions at various places were carried out based on a single design prepared by the headquarters, thereby not giving due regard to site and weather conditions, especially in the construction of schools, BHUs, Gup's offices, NWF dwellings etc. While time and cost could have been saved in the design of the constructions, such practices had led to several complications during the actual implementation process such as change of site, several deviations, additional works like construction of approach road, retention walls etc. resulting into delays and high cost of construction. Besides, some of the constructions were also found unsuitable for prevailing weather conditions such as low ceilings in hot places.

### ✧ **Inadequate Supervision and Monitoring of Works**

One of the causes for poor quality of works and high costs of constructions is the inadequate site supervision and monitoring of works by the site engineers and supervising officials. There were also many instances of an engineer supervising several constructions, at various locations, at a time thereby leading to ineffective supervision and poor quality of works.

### ✧ **Private Consultancy Firms not Providing Value for Money**

In many instances, the works awarded to consultants did not provide value for money. In the case of some of the designs prepared by the consultants, the variations have gone to the extent of 1000% during the actual execution of the items of works. Many of the Consultancy firms lacked adequate capacity and competence to render the services satisfactorily. On the contrary, payments to the consultants were made very liberally such as payments being made disproportionate to the work progress, payment made without fulfilling the criteria, excess payments etc. The need for engaging private consultancy firms vis-à-vis internal capacity within the agencies were not adequately analysed.

### ✧ **Leniency on Imposition of Liquidated Damages**

Ministries and agencies had a general tendency of leniency in incorporating or in following the liquidated damages clause. Therefore, the contractors, suppliers and consultants were not so keen into looking at this particular clause while bidding because they felt that they could always write for time extension later, which would be favourably approved by the concerned agencies. It is only through this clause that can ensure the completion of constructions, supplies and services on time.

### ✧ **Excessive Grant of Advances**

The ministries and agencies have also been liberal in granting advances. There were cases where the actual total expenditures were far less than the advances granted, leading to difficulties in recovering the excess advances. The ineffective system of check and balance at all levels viz., administrative, financial and technical levels, have led such financial improprieties in the form of payments of inappropriate mobilisation advances, disproportionate payment of secured advance against the materials brought to site, advances paid against inflated running bills etc.

### ✧ **Deficiency and Ambiguity in Rules and Regulations**

Major lapses and deficiencies in procurement activities had been due to deficient, ambiguous and inappropriate provisions of the Procurement Manual, Bhutan Schedule of Rates and Construction Manuals, which lacked reviews, feedback mechanisms and periodical revision to make it relevant.

Besides, lack of proper guidance and training on the rules, regulations and manuals issued from time to time had led to wrong or different interpretation of the rules during the application.

#### ★ **Rush of Activities Towards the End of Financial Year**

It is common in all Government agencies to rush for implementation of activities in the months of May and June. In many of the agencies, particularly the Dzongkhags, even the construction works were started during these months. Several procurements were made in June to avoid lapse of funds. All these indicate lack of proper planning, coordination and financial discipline, which ultimately leads to poor quality, excessive procurement and blockage of funds.

#### ★ **Absence of Reliable Quality Assurance System**

Overall quality assurance system was not adequate. There were no adequate facilities to check the quality and acceptability of various construction materials both imported and manufactured within the country. Further, system of independent monitoring of construction works to ensure adherence to construction standards were not adequate.

### 4.3 Corporations, Financial Institutions and NGOs

During the year, the RAA issued thirty seven audit reports of the Corporations, Financial Institutions and NGOs. The

overall status of the total audit observations issued during the year stands as follows:

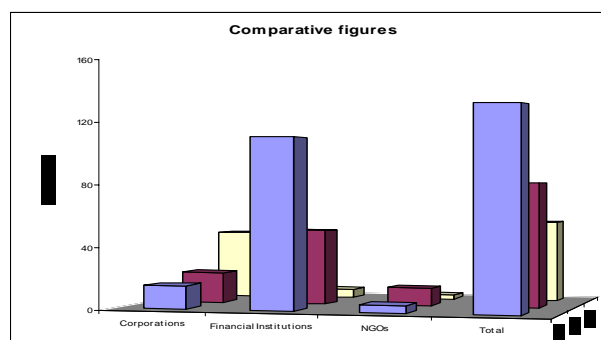
Particulars	Number	Monetary Involvement (Nu. Millions)
Observations Issued	284	222.665
Observations Settled	162	80.686
Balance Observations	122	141.973

*Summary of category of irregularities reported in ARR 2007:*

1. *Fraud, Corruption & Embezzlement – Nu.4.275 million*
2. *Mismanagement – Nu.0.082 million*
3. *Shortfalls, Lapses and Deficiencies – Nu.49.823 million*

**Total Nu. 54.180 million**

The total unresolved significant observations of the Corporations, Financial Institutions and NGOs amounted to Nu. 54.180 million as compared to Nu.130.174 million in 2005 and Nu. 80.843 million in 2006 representing a decline of 58.37 % and 32.98 % as presented in the graph above. The unresolved irregularities in the Corporations, Financial Institutions and



NGOs for the year could have been further reduced by Nu. 34.839 million,

had it not been for the irregularities in the slow and non-moving imported spare parts of the State Trading Corporation of Bhutan featuring under shortfall, lapses and deficiencies. The decline in the

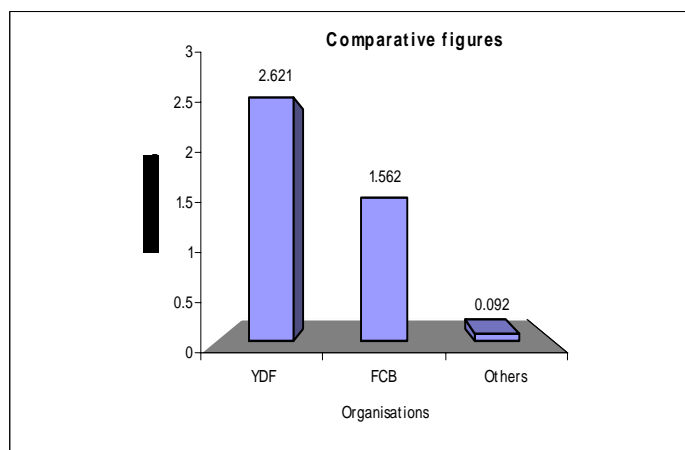
irregularities could be mainly attributed to increased compliances, effective follow up and improved control mechanisms. The summary of the findings are presented in table 4.2.

### 4.3.1 *Fraud, Corruption and Embezzlement*

As compared to 2006, the RAA observed an increase of 37.59% in the cases of strong indicators of fraud, corruption and embezzlement. It increased from Nu.3.107 million in 2006 to Nu.4.275 million in 2007. The funds were siphoned off

through double booking, fictitious expenditure, non-deposit of refund of air tickets, non-deposit of cash collections, embezzlement of fixed deposit, misuse of cash and forgery.

Despite being alerted in the Annual Audit Report 2006, such cases still featured in Bhutan Postal Corporation Limited and Youth Development Fund. Out of the 13 agencies incorporated in the AAR 2007, the Youth Development Fund recorded the highest amount in Fraud, Corruption and Embezzlement followed by Food Corporation of Bhutan and others as graphically illustrated above.



### 4.3.2 *Shortfalls, Lapses and Deficiencies*

During the year, the Corporations, Financial Institutions and Non Governmental Organizations had cases of shortfalls, lapses and deficiencies aggregating to Nu.49.823 million as against Nu.66.195 million in 2006.

Of Nu.54.180 million irregularities reported in the AAR 2007, Nu.34.839 million (64.30 %) pertained to slow and non-moving imported spare parts of the

State Trading Corporation of Bhutan Ltd. The remaining irregularities of Nu.4.357 million were mainly on account of advances/loans, inadmissible payments, shortfalls and uneconomical operations. Poor planning, ineffective follow up and lack of adequate supervisory controls could have attributed to such irregularities.

**Table 4.1 Summary of AAR 2007 with category of irregularities and amount involved in respect of the budgetary agencies**

(Nu. in million)

Sl. No.	Category of irregularities	MoA	MoEA	MoE	MoF	MoFA	MoH	MoIC	MoLHR	MoWHS	Dzong-khags	Gewogs	Autonomous	Total
<b>1</b>	<b>Fraud, Corruption &amp; Embezzlement</b>													
1.1	Forgery & Tampering of Documents	-	-	-	-	-	-	-	-	-	0.268	-	-	0.268
1.2	Malpractices & abuses	1.788	0.393	13.584	-	-	0.057	-	-	10.314	2.174	0.461	0.019	28.790
1.3	Misappropriation	1.750	-	-	-	2.123	-	-	-	-	4.617	0.620	0.065	9.177
1.4	Non/Short accountal	0.110	-	-	-	0.102	0.022	-	-	-	0.314	0.434	0.065	1.045
	<b>Sub total</b>	<b>3.648</b>	<b>0.393</b>	<b>13.584</b>	<b>-</b>	<b>2.225</b>	<b>0.079</b>	<b>-</b>	<b>-</b>	<b>10.314</b>	<b>7.373</b>	<b>1.515</b>	<b>0.149</b>	<b>39.280</b>
<b>2</b>	<b>Mismanagement</b>													
2.1	Mismanagement of fund	0.188	-	-	-	-	-	-	-	8.729	-	0.056	-	8.973
2.2	Mismanagement of Properties	-	-	-	-	-	-	-	-	6.776	-	-	-	6.776
2.3	Mismanagement of revenue & taxes	0.346	-	-	4.663	-	-	1.116	-	0.654	0.386	0.259	-	7.424
	<b>Sub total</b>	<b>0.534</b>	<b>-</b>	<b>-</b>	<b>4.663</b>	<b>-</b>	<b>-</b>	<b>1.116</b>	<b>-</b>	<b>16.159</b>	<b>0.386</b>	<b>0.315</b>	<b>-</b>	<b>23.173</b>
<b>3</b>	<b>Violation of Laws and Rules</b>													
3.1	Violation of Budgetary norms	1.083	-	-	-	-	-	-	-	-	-	-	-	1.083
3.2	Violation of accounting norms	0.200	-	0.023	-	-	-	-	-	9.830	0.427	0.087	0.028	10.595
3.3	Violation of procurement norms	0.324	-	-	-	-	-	-	-	1.534	1.053	0.067	-	2.978
	<b>Sub total</b>	<b>1.607</b>	<b>-</b>	<b>0.023</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11.364</b>	<b>1.480</b>	<b>0.154</b>	<b>0.028</b>	<b>14.656</b>
<b>4</b>	<b>Shortfalls, Lapses &amp; Deficiencies</b>													
4.1	Over/inadmissible/irregular/double payments	2.111	-	0.518	-	0.092	0.319	0.047	0.055	0.568	3.528	0.128	0.219	7.585
4.2	Non production of documents	0.200	-	-	-	-	-	-	-	-	-	0.045	-	0.245
4.3	Non/short deductions	0.038	-	-	-	-	-	-	-	-	0.039	-	-	0.077
4.4	Irregularities in constructions	-	-	-	0.314	-	-	-	-	-	0.172	-	-	0.486
4.5	Irregularities in property management	-	-	-	-	-	-	-	-	0.024	-	-	-	0.024
4.6	Short falls & uneconomical operations	-	-	-	-	-	-	-	-	1.310	0.123	1.141	-	2.574
4.7	Irregularities in Advances	5.466	0.055	0.231	12.745	1.113	1.035	-	-	8.899	27.098	0.031	0.127	56.800
	<b>Sub total</b>	<b>7.815</b>	<b>0.055</b>	<b>0.749</b>	<b>13.059</b>	<b>1.205</b>	<b>1.354</b>	<b>0.047</b>	<b>0.055</b>	<b>10.801</b>	<b>30.960</b>	<b>1.345</b>	<b>0.346</b>	<b>67.791</b>
	<b>Grand total</b>	<b>13.604</b>	<b>0.448</b>	<b>14.356</b>	<b>17.722</b>	<b>3.430</b>	<b>1.433</b>	<b>1.163</b>	<b>0.055</b>	<b>48.638</b>	<b>40.199</b>	<b>3.329</b>	<b>0.523</b>	<b>144.900</b>

**Table 4.2 Showing summary of AAR 2007 with category of irregularities and amount involved in respect of the corporations, financial institutions and NGOs**

(Nu. in million)

Sl. No	Category of irregularities	Financial Institutions				Corporations							NGOs		Grand Total
		BDFC	BNB	BOB	RSE	STCB	Kurichu	BPC	FCB	BT	BP	Kun	Tarayana	YDF	
<b>1</b>	<b>Fraud, Corruption &amp; Embezzlement</b>														
1.1	Misappropriation	-	-	-	-	-	-	-	1.562	-	-	-	-	2.621	4.183
1.2	Malpractices and abuses	-	-	-	-	-	-	-	-	-	0.092	-	-	-	0.092
	<b>Sub total</b>	-	-	-	-	-	-	-	<b>1.562</b>	-	<b>0.092</b>	-	-	<b>2.621</b>	<b>4.275</b>
<b>2</b>	<b>Mismanagement</b>														
2.1	Mismanagement of revenue	-	-	-	-	-	-	0.037	-	0.045	-	-	-	-	0.082
	<b>Sub total</b>	-	-	-	-	-	-	<b>0.037</b>	-	<b>0.045</b>	-	-	-	-	<b>0.082</b>
<b>3</b>	<b>Shortfalls, Lapses &amp; Deficiencies</b>														
3.1	Over/inadmissible/irregular/double payments	-	-	-	0.063	-	-	-	-	-	-	-	-	0.037	0.100
3.2	Irregularities in disposal	-	-	-	-	34.839	-	-	-	-	-	-	-	-	34.939
3.3	Shortfalls and uneconomical operations	0.2	-	-	-	5.995	-	-	-	-	-	-	-	-	6.195
3.4	Irregularities in Advances/loans	1.695	2.445	1.271	-	-	-	-	0.390	-	-	-	0.250	-	6.106
3.5	Non/short deductions & recoveries	-	-	-	-	-	2.511	-	-	-	-	0.072	-	0.055	2.583
	<b>Sub total</b>	<b>1.895</b>	<b>2.445</b>	<b>1.271</b>	<b>0.063</b>	<b>40.834</b>	<b>2.511</b>	-	<b>0.390</b>	-	-	<b>0.072</b>	<b>0.250</b>	<b>0.092</b>	<b>49.823</b>
	<b>Grand total</b>	<b>1.895</b>	<b>2.445</b>	<b>1.271</b>	<b>0.063</b>	<b>40.834</b>	<b>2.511</b>	<b>0.037</b>	<b>1.952</b>	<b>0.045</b>	<b>0.092</b>	<b>0.072</b>	<b>0.250</b>	<b>2.713</b>	<b>54.180</b>

# 5

## RECOMMENDATIONS

The Audit Act of Bhutan 2006 specifically states, “It shall be duty of the authority to promote economy, efficiency and effectiveness in the use of public resources through its reports and **recommendations**”. While the final output of the RAA is its audit reports, the final outcome is the extent of compliance to its audit recommendations. Besides, the acceptability of the audit recommendations is also an indication of quality audits.

Therefore, one of the best ways of adding value to auditing and reporting is by providing appropriate recommendations.

Based on the types of irregularities that surfaced during the year, the RAA had also given the probable causes of such irregularities. Moving a step further from the causes, the RAA had come out with several recommendations that would help to improve the Government accountability machinery and ensure economy, efficiency and effectiveness in the use of public resources. Since the contributory factors under Chapter 4 have

included some of the major factors from all the reports issued during the 9<sup>th</sup> Five Year Plan, the same approach had been taken while framing the recommendations. While RAA had been recommending various measures through the individual audit reports, AG’s Advisory Series and during the process of auditing, an attempt had been made to summarise all the recommendations, as follows:

### *Audit Recommendations:*

- ✍ Need for proper planning, feasibility studies.....*
- ✍ Proper coordination*
- ✍ Systematic reviewing and updating of rules and regulations*
- ✍ Contract agreement and enforcement*
- ✍ Strengthening internal control and system*
- ✍ Disciplinary actions*
- ✍ Due diligences to be exercised over sanctioning of advances*

### **5.1 Need for Proper Planning, Feasibility Studies, Supervision, Monitoring and Evaluation**

The lack of proper planning, feasibility studies, supervision, monitoring and evaluation had been identified as one of the main contributory factors to the irregularities. Frequent changes and ad-hoc decisions were primarily as a result of inadequate studies, consultation and

planning. Since absence of proper planning and feasibility study impede the quality as well as economy, efficiency and effectiveness in the uses of resources, there is a need at all levels to properly study, plan, and implement the activities



with adequate supervision, monitoring and evaluation. Besides, there is a need to:

- » Avoid situations of implementing too many activities with few engineers;
- » Site and supervising engineers should prioritise and schedule their works to ensure their continuous presence, at least at critical junctures;
- » Measurement of works should be carried out as required at right times and duly recorded in the MB;
- » Site engineers must not incorrectly certify the bills or applications for release of secured or other advances to the Contractors;
- » Hindrance Register should be maintained accurately;
- » Construction materials including timber should be thoroughly checked for both quality and quantities and availability for consumption at site;
- » Movement of materials from construction site should be restricted;
- » Site Order Books must be properly filled while visiting the sites.

*Standard and Quality Control Authority* should also develop a mechanism to independently supervise and monitor

construction activities with reference to quality of works in the field and quality of construction materials used.

## **5.2 Need for Proper Coordination amongst Various Agencies**

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Coordination amongst various agencies would help synchronize activities and avoid overlappings and duplications. There had been many instances of avoidable expenditures due to improper coordination. Lack of proper coordination not only burdens the government exchequer but also causes several inconveniences to those affected by it. Therefore, the Government should look

for ways to coordinate its activities in order to avoid overlappings, duplications and avoidable expenditures. Perhaps, one of ways could be either for the Ministry of Finance or the GNH Commission to study the overall budget for the entire activities for Five Year Plans and look for areas where opportunities for coordination could prevail.

## **5.3 Systematic Reviewing and Updating of Rules, Regulations and Manuals**

---

Rules, Regulations and Manuals need to be reviewed and updated periodically to render them relevant and practicable. It may be appropriate to constitute

designated Committees with clear mandates and Terms of Reference for such purposes. Continuous review of rules and regulations through institution of

feedback mechanism would help understand whether the rules and regulations are practicable and relevant.

Besides, the relevant agencies should provide trainings or guidance on the new rules or manuals to maintain consistency and uniformity in application.

## **5.4 Contract Agreements and Enforcements**

---

Contract agreement should be clear and unambiguous. The procuring agencies should incorporate all essential elements, terms and conditions. All terms of payments including the contractors' obligations should be precisely specified. Since there is always a tendency to exploit loopholes in the agreements, the procuring agencies must understand all the provisions incorporated in the

agreements. Where certain terms and conditions in the agreements are complex, appropriate legal opinion should be sought before signing the contract agreement. Development of additional sample Contract Agreements with all relevant matters included for different types of works may help in ensuring consistency and comprehensiveness of the contract agreements.

## **5.5 Strengthening Internal Controls**

---

Existence of adequate internal controls and proper system of check and balance help ensure adherence to rules and regulations, implementing activities in an efficient and orderly manner, secure accuracy and reliability of accounting records and financial statements and

safeguard the assets of the organisations. Strong internal controls also act as deterrent against perpetration of fraud and corruption. The management at all levels should be made aware of the need, concepts and essential elements of internal controls.

## **5.6 Strengthening the Internal Audit System**

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Internal audit is an essential element of internal controls and an important management tool to continuously review and monitor the operations of internal controls. As such, there is a need to further strengthen the internal auditing

system and also extend to other larger organisations besides the ministries. While strengthening the internal audit system, the government must recognise the importance of independence of internal auditors from their management.

## **5.7 Disciplinary Actions to be taken by the Agencies**

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For certain recurring observations like excess, over, inadmissible and double payments, non-deduction of TDS, non-

levy of liquidated damages etc., the agencies must take disciplinary actions against the defaulters. Disciplinary actions

for recurring violations and inactions would act as deterrent for the future.

## **5.8 Due Diligence to be Exercised over Sanctioning of Advances**

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In general, the grant of lavish advances and their poor subsequent follow up mechanism had resulted into accumulation of huge outstanding advances. As such, there is a need to exercise due diligence in sanctioning advances and institute appropriate mechanism to ensure timely liquidations.

## **5.9 Strict Compliance to Liquidated Damages Clause**

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There is a general tendency of leniency on the part of various ministries and agencies in incorporating or in enforcing the liquidated damages clause. As a result, agencies either do not impose liquidated damages or impose lesser amounts for delays in timely completion of constructions, supplies and services. The justifications given by the contractors and

suppliers for the delays were easily accepted by agencies without proper review and investigation.

Therefore, the agencies should seriously consider the need for strictly enforcing the liquidated damages clause to ensure timely completion of constructions, supplies and services.

## **5.10 Agencies to Exercise control over TA/DA**

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Several cases of excess payments of travelling and daily allowances, payments of travelling and daily allowances without performing tours and other related cases had been detected and the significant ones reported in AAR 2007. In most of the instances the RAA found out such payments could have been controlled merely by exercising a bit of due diligence by the sanctioning and immediate authorities. The mere fact that the

defaulters have signed on the Attendance Register gives indication that the sanctioning and immediate authorities were totally aware of such illegitimate payments. Yet, it is not known why they have sanctioned and authorised the payments.

Therefore, the authorities at various levels should exercise due diligence and control to prevent such fraudulent cases from becoming a general practice.

## **5.11 Budget & Accounting System (BAS) needs to be Improved**

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The finance personnel are still having problems with the Budget & Accounting System. Several cases of unreconciled differences in the BAS have been detected

and reported in AAR 2007. The Ministry of Finance should study the problems and improve the system to avoid recurrence of such problems. If the problems are with

the dealing personnel then the Ministry should put in concerted efforts to improve

the competency of the finance personnel in using the BAS.

## **5.12 Improve/Institute Quality Assurance System**

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The procuring agencies must ensure that they are supplied with quality goods and wherever applicable as per approved samples. The agencies should prepare proper specifications of goods by involving people with relevant expertise and every goods must be checked upon receipt. Besides, they must also ensure that the goods perform as per the specifications especially with regard to the life and durability of the goods. For example, every toner cartridge must print the number of pages that they are required to print etc.

Currently there is not much control on the flow of spurious, duplicate and sub-standard items into the country. There is

neither proper grading system of materials imported nor do adequate facilities exist to conduct quality tests at the entry points. There is a need to prescribe and maintain minimum standards in all imported products.

On a wider perspective, the government should also look into ways of establishing a mechanism to regulate the flow of duplicate and fake goods into the country. While certain efforts are being undertaken by the Standard and Quality Control Authority to inform the public of the various duplicate and fake goods available in the market, yet such goods are still being used and are freely available in the Bhutanese Market.

# 6

## DETAILED FINDINGS

### BUDGETRAY AGENCIES - MINISTRIES AND DEPARTMENTS

#### 6.1 Ministry of Agriculture

During the period, the Royal Audit Authority had issued thirty nine audit reports of the Ministry of Agriculture and its departments, divisions and units. Out of the two hundred and eighty eight observations amounting to Nu.71.870

million pointed out in the reports, one hundred and sixty five observations amounting to Nu.52.208 million were settled. The total unresolved significant irregularities amounted to Nu.13.604 million as summarised below:

Sl. No.	Observations in brief	Nu. in Million	Category Code
1	Fraud, Corruption & Embezzlement	3.648	1 & 2
2	Mismanagement	0.534	3
3	Violation of Laws and Rules	1.607	4
4	Shortfalls, Lapses & Deficiencies	7.815	5
	<b>Total</b>	<b>13.604</b>	

#### 1 Fraud, Corruption and Embezzlement – Nu. 3.648 million

There were cases of strong indicators of fraud, corruption and embezzlement involving Nu.3.648 million as summarised hereunder:

Sl. No	Observation in brief	Nu in Million	Para No	Who are accountable?
1.1	Misappropriation of funds	1.752	1;1.1	Namgay Wangdi, Accounts Assistant and Sacha Dorji, Chief Forestry Officer Sangay Wangchuk, Accountant, Sonam Wangchuk, Former Park Manager and Nawang Norbu, Chief Forestry Officer
1.2	Acceptance of equipment with wrong specification	1.254	2.3; 3;6	Jamyang Phuntsho, Chief Lab. Officer; Karma Dorji, Executive Director; Karma, Adm.; Sonam Wangyel Wang, CFO; Rinzin Penjor, Store Incharge and Sonam Tshering, Chief Forestry Officer
1.3	Fictitious payment	0.227	1 A(i); 2.41; 3;2.1;2	Kinga, Engineer; Passang W. Norbu, CFO; Dorji Rinchen, Marketing Officer; Chimi Tshering, Marketing Officer; Sonam Tshomo, Jr. Extension Officer; Karma Chopel, Accountant; Anil

				Ghalay, Accountant; Sonam Wangdi, Chief Administrative Officer; Sangay Chewang, Chief Marketing Officer, Wangda Dukpa, Research Officer; Dr. Tashi Dorji, Program Director; Dipendra Ghalay, Accounts Officer and Sither Dorji, Divisional Forestry Officer
1.4	Short account of cash	0.108	1.2	Sangay Wangchuk, Accountant and Nawang Norbu, Chief Forestry Officer
1.5	Payment for material not received	0.130	1; 2.1	Mindu, Adm. Officer; Dr. Tashi Dorji, Program Director; Dr. Jambay Dorji and Sangay, Program Director
1.6	Payment for works not executed	0.125	4; 6; 1.1	Sither Dorji, DFO; Tshewangla, DCA; Thrinang Wangdi, Sr. Lab Technician and Dr. Jambay Dorjee, RVO
1.7	Unrealistic payment	0.038	1D	Kinga, Engineer and Passang W. Norbu, CFO
1.8	Payment of travelling and daily allowances during casual/earned leave	0.014	1	Gomchen Dukpa, DCFO
1.9	Use of inferior quality of Corrugated Galvanised Iron (CGI) sheet	-	1.1	Thinley Gyeltshen, Dy. Ex. Engineer and Karma Dorji, Executive Director
	<b>Total</b>	<b>3.648</b>		

The cases are explained below:

### ***1.1 Misappropriation of funds – Nu.1.752 million***

- a) The Divisional Forest Office, Sarpang had cases of misappropriation of funds amounting to Nu.1.328 million. The misappropriation was carried through non deposits of Government revenue, excess and fictitious booking of expenditure, double payments, short or non- accountal of cash/funds, erroneous adjustment of advances and less carry forward of unadjusted advances. However, an amount of Nu.1.014 million had been later recovered and deposited into Audit Recoveries Account (ARA). The Ministry had also constituted a committee to review and recommend the management for appropriate action on the issue.
- b) The Accountant of Thrumshingla National Park, Ura had misappropriated Nu. 0.424 million during the financial year 2004-2006. The case has been forwarded to the Royal Court of Justice, Bumthang.

### ***1.2 Acceptance of equipment with wrong specifications – Nu.1.254 million***

- a) The Bhutan Agriculture & Food Regulatory Authority (BAFRA) had accepted laboratory equipment worth Nu. 1.254 million from M/s Karma Tshongkhang which did not conform to the specifications detailed in the



supply orders. Neither the recovery nor any action had been taken against the responsible official and the supplier.

- b) The Jigme Singye Wangchuck National Park, Trongsa had accepted 3 Dell Optiplex 170L computers from M/s Gyelyong Enterprises, Thimphu having 256 MB RAM as against the specification of 512 MB RAM stipulated in the supply order. Neither the recovery nor any action had been taken against the responsible official/s and the supplier.

### **1.3 Fictitious payment – Nu.0.227 million**

- a) The Divisional Forest Office (DFO), Samtse had made fictitious payment of Nu. 0.143 million to M/s Gado Construction in the construction of Divisional Forest Office at Lichibari, Samtse. Neither the recovery nor any action had been taken against the responsible official and the contractor.
- b) The Secretariat had made travelling and daily allowances payments of Nu.0.037 million to its officials/staff for tours not performed as evident from the Daily Attendance Registers. Neither the recovery nor any action had been taken.
- c) The Divisional Forest Officer, Mongar had claimed an amount of Nu. 0.023 million on account of mileage despite not possessing a vehicle of his own. Though the false claims were recovered, no action had been taken.
- d) The Renewable Natural Resources Research Centre, Jakar had made fictitious payment of Nu. 0.013 million on account of daily allowances to the participants of 'Participatory Rural Access exercise' in lower Kheng areas by inflating the number of days. Though the amount was recovered, no action had been taken.
- e) The Department of Forest had paid travelling and daily allowances of Nu. 0.011 million to an official for tours not performed. Neither the recovery nor any action had been taken.

### **1.4 Short account of cash – Nu.0.108 million**

The Accountant of Thrumshingla National Park, Ura had not accounted Nu. 0.108 million out of Nu.0.703 million collected from the beneficiaries on account of 20% of the cost of the solar equipment and Corrugated Galvanised Iron (CGI) sheets. No action had been taken.

### **1.5 Payment made for materials not received – Nu.0.130 million**

- a) The Renewable Natural Resource Research Centre (RNR RC), Jakar had made a payment of Nu. 0.081 million to M/s Deki Corporation, Phuentsholing without actually receiving the 30 blades Rotovator. Neither the recovery nor any action had been taken.
- b) The Regional Veterinary Laboratory (RVL), Khaling had made payment of Nu. 0.049 million to M/s Karma Tshongkhang, Samdrup Jongkhar for the supply of equipment. The equipment were not received till the date of

audit. Neither the recovery nor any action had been taken against the responsible official/s and the supplier.

#### **1.6 *Payment for works not executed – Nu.0.125 million***

- a) The Divisional Forest Office, Mongar had made payments of Nu. 0.057 million to the contractor M/s Druk Phuensum Construction for works not executed in the maintenance of Forest Management Unit, Lingmithang.

Similarly, Nu. 0.024 million was found paid to contractors for works not executed on the re-electrification and renovation of toilet at the Mongar Range Office and construction of steel gate at the Mongar Divisional Forest Office. Neither the recovery nor any action had been taken against the responsible officials and the contractors.

- b) The Regional Veterinary Laboratory, Khaling had paid Nu. 0.044 million to M/s Cheki Dorji Construction on account of compound fencing works at Mertsham, Khangma despite not executing the work. Neither the recovery nor any action had been taken against the responsible official/s and the contractor.

#### **1.7 *Unrealistic Payment - Nu.0.038 million***

The Divisional Forest Office, Samtse had made payment of Nu. 0.038 million in the construction of approach road to Divisional Forest Office at Lichibari, Samtse and Range Office, Sipsu on account of excavation of over areas included in the Bill of Quantities (BOQ)). Such item of work was not required in the construction. Neither the recovery nor any action had been taken against the responsible official/s and the contractor.

#### **1.8 *Payment of travelling and daily allowances during casual/earned leave – Nu.0.014 million***

The Divisional Forest Office, Paro had entertained travelling and daily allowances of Nu. 0.014 million to its employees on casual or earned leave. No action had been taken.

#### **1.9 *Use of inferior quality of Corrugated Galvanised Iron (CGI) sheets for roofing of Food Laboratory Building at Yesupang***

The contractor, M/s Tsheltrim Construction had provided 26 gauge Corrugated Galvanised Iron (CGI) sheets having a thickness of 0.43 mm only for roofing of the Food Laboratory Building at Yesupang as against the specified 24 gauge of 0.63 mm thickness. Neither the recovery nor any action had been taken against the responsible official/s and the contractor.

## 2 Mismanagement – Nu. 0.534 million

There were cases of mismanagement aggregating to Nu.0.534 million as summarised hereunder:

Sl. No	Observation in brief	Nu in Million	Para No	Who are accountable?
2.1	Non execution of lease agreement	0.242	2 (b)	The Chief Forestry Officer was advised to take up the matter with the Department of Forests for fixing the accountability
2.2	Short deposit of Mobility Revolving Fund accounted in the cash book	0.111	4.1	Karma Chopel, Accountant; Tshering Nidup, Accountant and Pema Y. Rinzin, Accounts Officer.
2.3	Non maintenance of timber production register	0.084	3(a)	Tenzin Wangdi, Range Officer and Sonam Tshering, Chief Forestry Officer
2.4	Non surrender of cash closing balance	0.077	1.3	Sangay Wangchuk, Accountant and Nawang Norbu, Chief Forestry Officer
2.5	Irregular exemption of 30% house rent	0.020	2.1	Phuntsho Thinley, former Park Manager and Karma Tenzin, Park Manager
	<b>Total</b>	<b>0.534</b>		

The cases are explained below:

### **2.1 Non-execution of lease agreement for occupying government land and non-realisation of lease rent – Nu.0.242 million**

Lease rent aggregating to Nu. 0.242 million had remained unrealised due to non-execution of proper lease agreement between the Department of Forest, Gedu and the lessee for leasing out Government land measuring 11.5 acres at Pasakha since 1986. Neither the recovery of the lease rent nor any action had been taken on the matter.

### **2.2 Short deposit of Mobility Revolving Fund accounted in the cash book – Nu.0.111 million**

There was lack of proper supervision, monitoring and control over the maintenance of revolving fund accounts by the Secretariat, Ministry of Agriculture. As a result, there was short deposit of Nu. 0.111 million in the Mobility Revolving Fund Account No.CD/9577. Neither the recovery nor any action had been taken.

### **2.3 Non-maintenance of Timber Production Register and Royalty Bill Register and unconfirmed realization of royalty - Nu.0.084 million**

The Range Office, Tsimasham had not maintained proper timber production and royalty bill registers. As a result, royalty amounting to Nu.0.084 million paid by the Forestry Development Corporation Ltd. (FDCL) could not be confirmed as the royalties were paid directly to the Gedu Division. Besides, there was no system of communicating the deposits made by FDCL to the Range Offices. No action had been taken.

### **2.4 Non-surrender of cash closing balance – Nu.0.077 million**

The Thrumshingla National Park, Ura had not surrendered the cash closing balance of Nu.0.077 million to the Department of Public Accounts as required. The amount was recoverable from the accountant. No action had been taken.

### **2.5 Irregular exemption of 30% house rent from the total carpet area resulting into short levy of rental charges – Nu.0.020 million**

There was short levy of house rent amounting to Nu.0.020 million from the following Park Managers due to irregular exemption of 30% from the total carpet area:

Sl No.	Name & designation	100% carpet area cost	70% carpet area cost	Diff. in cost x No. of months	Total amount (Nu)
1.	Phuntsho Thinley, Park Manager	3,095.57	2,166.89	928.68*12	11,144.16
2.	Karma Tenzin, Park Manager	3,095.57	2,166.89	928.68*9	8,358.12
<b>Total</b>					<b>19,502.28</b>

No action had been taken.

## **3 Violation of Laws and Rules – Nu. 1.607 million**

There were cases of Violation of laws and rules involving Nu.1.607 million as summarised hereunder:

Sl. No	Observation in brief	Nu in Million	Para No	Who are accountable?
3.1	Overstatement of expenditure	0.564	1.1	Anil Ghalay, Accountant and Dipendra Ghalay, Accounts Officer
3.2	Expenditure for unplanned activities	0.519	3	Tshering Tenzin, CA; Ugyen Tshewang, SAO and Sangay, Program Director

3.3	Purchase without inviting tenders	0.179	8	Ugyen Tenzin and Dasho Sithar Namgay
3.4	Non deduction of 20% discount	0.140	1	Karma Gyeltshen, JE and Thinley, Chief Forestry Officer
3.5	Irregularities in issue over field clothing	0.094	3 (ii)	Dorji Tshering; Tshewang Gyeltshen; Sangay Dorji; Karma and Ugen Takchu.
3.6	Non levy of liquidated damages	0.060	1.7	Phuntsho, Forester and Nawang Norbu, Chief Forestry Officer
3.7	Award of contract to government employee	0.051	4	Kinley and Thinley Wangchuk
3.8	Improper evaluation of bids	-	4	Lok Nath Sharma, Dy. EE and Pema, CFO
3.9	Execution of work without proper drawings	-	1.3	Ugyen Dukpa, Asstt. Engineer and Karma Dorji, Executive Director
3.10	Remittance of audit recoveries from budget fund	-	1	Tshewangla, DCA
3.11	Poor workmanship	-	2	Karma Gyeltshen, JE and Thinley, Chief Forestry Officer
	<b>Total</b>	<b>1.607</b>		

The cases are explained below:

### **3.1 Overstatement of expenditure - Nu.0.564 million**

There was overstatement of expenditure to the extent of Nu. 0.564 million in the Budget and Accounting System (BAS) generated accounts for the financial year 2005-06 of the Department of Livestock as given hereunder:

Sl. No	Particular	As per RAA's Computation (Nu.)	Reported as per the June Final Accounts (Nu.)	Overstated Expenditure (Nu.)
a	Current Expenditure	9,689,281.83	9,781,825.83	92,544.00
b	Capital Expenditure	562,359.48	1,033,840.48	471,481.00
	<b>Total</b>	<b>10,251,641.31</b>	<b>10,815,666.31</b>	<b>564,025.00</b>

The accounts were not reconciled.

### **3.2 Expenditure incurred for un-planned activities and non-confirmation of receipt of seeds/seedlings from the beneficiaries – Nu.0.519 million**

The Project Facilitation Office, Khangma had booked an expenditure of Nu. 0.519 million as payment to Druk Seed Corporation, Paro on account of seeds/seedlings procured by the Ministry of Agriculture. The seeds/seedlings were distributed directly to the farmers of Pemagatshel and Mongar Dzongkhags through the

respective Dzongkhag Agriculture Officers, which was purely an ad-hoc activity. Besides, there was no confirmation of the receipt of seeds/seedlings from the beneficiaries. No action had been taken.

### ***3.3 Purchase of Conference bags without inviting tender – Nu.0.179 million***

The Department of Survey and Land Records had purchased 191 leather bags at the cost of Nu. 0.179 million at the end of the financial year 2004-05 merely to avoid the lapse of fund. The bags for the conference were procured without inviting tenders. Further, the conference was not held and instead the bags were distributed to participants of workshop on Land Registration and Transaction Procedures in March 2007, two years after its procurement. No action had been taken.

### ***3.4 Non-deduction of 20% discount provided by the contractor – Nu.0.140 million***

The Jigme Dorji National Park, Damji had not deducted 20% discount provided by the contractor while making the final payment. This had resulted into excess payment of Nu. 0.160 million. Out of Nu.0.160 million, only Nu.0.020 million was deposited leaving a balance of Nu.0.140 million. No action had been taken.

### ***3.5 Irregularities in issue of field clothing – Nu.0.094 million***

The Department of Survey and Land Records had been issuing field clothing like jackets and sleeping bags to surveyors and other field personnel every year. The Survey Manual stipulates issuance of such clothing only once in every two years. Therefore, such irregular issue of field clothing led to an excess issue of clothing amounting to Nu. 0.094 million for which no action had been taken.

### ***3.6 Non-levy of liquidated damages – Nu.0.060 million***

The Thrumshingla National Park, Ura had not levied liquidated damages of Nu. 0.060 million to the contractor for the delay in construction of the Guard Post at Tsamang and water supply, approach road and fencing at Autsho. No action had been taken.

### ***3.7 Award of contract to government employee – Nu.0.051 million***

The Department of Forest, Thimphu had paid an amount of Nu. 0.051 million to a civil servant working with the Dzongkha Development Authority, on account of translation of Forest Act to Dzongkha. No action has been taken against the parties concerned for violating the civil service norms.



### ***3.8 Improper evaluation of bids***

The engineers of the Ministry of Agriculture prepared Bill of Quantities (BOQs) without carrying out proper study of the construction site and the drawings, in the construction of Sakteng Wildlife Sanctuary Head Office Complex at Menkhang, Phongmey. This led to unrealistic BOQs and as a result, revised BOQs had to be prepared subsequently for Nu. 16.212 million on the insistence of the contractor. Accordingly, the cost of construction increased from the initial tendered amount of Nu. 9.729 million to Nu. 15.803 million. Further, the tender evaluation was carried out on the gross tendered amount instead of the item wise rates of the estimates. No action had been taken.

### ***3.9 Execution of work without proper drawings***

The Bhutan Agriculture and Food Regulatory Authority had executed electrification works for Veterinary Laboratory, Food Laboratory and Duty Room at Yusipang and Quarantine Shed at Phuentsholing based on a simple layout drawing (both internal and external electrification). The absence of proper drawings would make it difficult to locate the concealed inner running cables at the time of repair and maintenance works in future. Besides, no lightning arresters were installed in the laboratories to protect the expensive and sensitive laboratory equipment against lightening. No action had been taken.

### ***3.10 Remittance of audit recoveries from budget fund***

The Divisional Forest Office, Mongar had booked an amount of Nu. 0.057 million as Public Works advance against its staff, but the amount had been actually remitted to the Royal Audit Authority to settle the earlier audit observations. Although the amount had been subsequently recovered, the remittance of audit recoveries from government fund was highly irregular. No action had been taken.

### ***3.11 Poor workmanship in the construction of approach road***

The construction of approach road to Jigme Dorji National Park, Damji awarded to M/s Rinchen Norbu Construction at the quoted amount of Nu. 0.743 million was not done properly. The rectification as advised by audit was also not carried out. No action had been taken.

## **4 Shortfalls, Lapses and Deficiencies – Nu. 7.815 million**

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There were cases of shortfalls, lapses and deficiencies aggregating to Nu.7.815 million as summarised hereunder:

Sl. No	Observation in brief	Nu. in million	Para No	Who are accountable?
4.1	Excess payment to employees	0.985		As detailed below
4.2	Excess payment to contractors	0.842		As detailed below
4.3	Non production of bills	0.200	7	Sonam Thinley, Project Accountant and Zangpo, Asst. Chief Forestry Officer
4.4	Irregular payment	0.284	1;14; 1;4	Biswanath Pradhan; LB Subba; BB Thapa; Jamphel Gyeltshen; Pelden Yeshe; Ugen Takchu; Tshewangla, Deputy Chief Accountant; Dipendra Ghalay, Accounts Officer; Sonam Wangdi, Chief Administrative Officer; Tashi Dhendup, Farm Manager and Kaka Wangchuk, Store Officer
4.5	Non deduction of liquidated damages	0.038	3	Kinley; Chengay and Sonam Tshering
4.6	Issue of office equipment to the former programme Director	-	10	Leki Dorji, Officiating Programme Director
4.7	Non availability of equipment	-	2.1	Jamyang Phuntsho, Chief Lab. Officer and Karma Dorji, Executive Director
4.8	Non reconciliation of stock	-	8	M. M. Sali, Store Keeper and Kaka Wangchuk, Store Officer
4.9	Outstanding advances	5.466		As detailed below
	<b>Total</b>	<b>7.815</b>		

The cases are explained below:

#### **4.1 Excess payment to Employees – 0.985 million**

There were cases of excess payment to employees involving Nu.0.985 million as summarised hereunder:

Sl. No	Observation in brief	Nu in Million	Para No	Who are accountable?
a	Excess payment of daily allowances	0.755	1	Leki Dorji and Dr. Lham Tshering (Supervisory)
b	Excess payment of salary	0.097	1.6	Sonam Wangchuk, Former Park Manager and Nawang Norbu, Chief Forestry Officer
c	Inadmissible payment	0.075	2.1.1. 2, 1.2 & 2.1.3	Sangay Chewang, Chief Marketing Officer; Dorji Rinchen, Marketing Officer; Chimi Tshering, Marketing Officer; Karma Tenzin, Ex-Human Resource Officer; Sonam Wangdi, Chief Administrative Officer; Pema Y. Rinzin, Account Officer; Kinley Tenzin, Accountant and Ugyen Dema, Accountant.
d	Excess payment of daily allowances	0.038	1.1.1	Tshering Choden, Adm. Assistant and Zangpo, Asst. Chief Forestry Officer.

e	Excess payment on education tour	0.020	2	Sonam Zangpo, Asst. Chief Forestry Officer.
<b>Total</b>		<b>0.985</b>		

The cases are explained below:

- a) The Strengthening of Livestock Development Initiative Project under the Department of Livestock had paid daily allowances to officials for their study tour in India at par with NEX Program rate resulting into excess payment of Nu.0.755 million. No action had been taken.
- b) The former Park Manager of Thrumshingla National Park, Ura had been paid full salary for twenty four months of his masters' course in the USA resulting into excess payment for twelve months amounting to Nu.0.097 million. No action had been taken.
- c) The Secretariat, Ministry of Agriculture had made daily allowances payments of Nu. 0.075 million to the officials during study tour to India under the Government of India funded project at par with NEX rate which was not admissible resulting into excess payment. No action had been taken.
- d) The Jigme Dorji National Park, Damji had made excess payment of daily allowances aggregating to Nu. 0.038 million to an Administrative Assistant during her short term training at Asian Institute of Technology, Bangkok. No action had been taken.
- e) Excess payments of Nu.0.031 million were made to 15 staff during their educational study tour to India by Jigme Dorji National Park, Damji against which Nu.0.011 million was deposited leaving a balance of Nu.0.020 million. No action had been taken.

#### **4.2 Excess payment to contractors – Nu.0.842 million**

There were cases of excess payment to contractors aggregating to Nu.0.842 million as summarised hereunder:

Sl. No	Observation in brief	Nu in Million	Para No.	Who are accountable?
a	Overpayment	0.731	1 (a, b, c)	Tshering Dukpa and Kuenga Yeshey, JE and Sonam Tshering, Chief Forestry Officer.
b	Excess payment due to variation	0.061	3	Chengay, JE.
c	Excess payment	0.050	1B	Rinzin Dorji, Accountant and Passang W. Norbu, CFO
d	Excess payment for installation of louver shutter	-	2.4	Jamyang Phuntsho, Chief Lab. Officer and Karma Dorji, Executive Director
<b>Total</b>		<b>0.842</b>		

The cases are explained below:

- a) The Divisional Forest Office, Gedu had made over payments of Nu. 0.731 million in the construction of boundary wall and river protection wall at Phuentsholing. The over payment had occurred due to payments for works not executed, deviation of works from the drawing and the difference in breadth of the wall. Neither the recovery nor any action against the responsible official/s and the contractor had been taken.
- b) The Regional Mithun Breeding Farm, Wangdigang, Zhemgang had made excess payment of Nu. 0.061 million to the contractor in the construction of office building, farm manager's residence, staff quarter and sheds etc. by allowing more quantities than actual quantities executed as noted during the joint measurement. Neither the recovery nor any action against the responsible official/s and the contractor had been taken.
- c) The Divisional Forest Office, Samtse had made excess payment of Nu. 0.050 million to two contractors as given hereunder:

Sl. No.	Name of Contractor	Vr. No & date	Payment Amount (Nu.)	Amount as per M. B. (Nu.)	Excess payment (Nu.)
1	M/s Jamyang P. Construction	95 of 29/06/05	434,895.26	408,760.28	26,134.98
2	M/s K. D. Construction	89 of 29/06/06	212,291.50	188,833.14	23,458.36
<b>Total</b>					<b>49,593.34</b>

Neither the recovery nor any action against the responsible official/s and the contractor had been taken.

- d) The Bhutan Agriculture and Food Regulatory Authority had made excess payment of Nu.0.102 million to M/s Karma Show Room, Thimphu on account of installation of louver shutter measuring 2,155.26 square feet at its Head Office and Yusepang laboratory as against the actual installation of 1,592.50 square feet found during physical verification.

The excess payment was subsequently deposited into ARA, but appropriate action taken against the official/s for certifying the payment without proper verification, as recommended, is awaited.

### **4.3 Non-production of records – Nu.0.200 million**

The Jigme Dorji National Park, Damji had made payments aggregating to Nu. 0.200 million to M/s Singyebee Construction on account of maintenance and electrification of staff quarter at Soe Mesizam Range Office, Paro. The payment was not supported by contractor's bills, although the work had been completed and taken over. No action had been taken.

#### **4.4 Irregular payment of travelling and daily allowances claims – Nu.0.284 million**

- a) The Department of Survey and Land Records had no proper control over the payment of daily allowances claims to its officials, which had resulted into irregular claims of Nu. 0.102 million. Neither the recovery nor any action had been taken.
- b) The Divisional Forest Office, Mongar had made travelling and daily allowances payments of Nu. 0.090 million higher than the actual claims submitted by claimants as given hereunder:

Sl No.	Vr. No & date	Amount claimed as per bills (Nu.)	Amount paid (Nu.)	Difference (Nu.)
1	11 of 14/09/2005	13,890.00	16,890.00	3,000.00
2	28 of 22/09/2005	119,772.00	146,802.00	27,030.00
3	48 of 04/11/1005	105,540.00	115,540.00	10,000.00
4	27 of 27/01/2006	112,575.00	158,725.00	46,150.00
5	37 of 29/02/2006	41,089.00	45,223.00	4,136.00
<b>Total</b>				<b>90,316.00</b>

Neither the recovery nor any action had been taken.

- c) The Department of Forest, Thimphu had entertained irregular travelling and daily allowances of Nu. 0.200 millions to its officials and staff, which could not be authenticated due to lack of proper documents supporting the travel claims. However, Nu.0.130 million was recovered leaving a balance of Nu.0.070 million. No action had been taken.
- d) The Livestock Central Store, Phuentsholing had made irregular payment of Nu. 0.022 million to M/s Gongphel Transport by allowing transportation charges from Phuentsholing to Zhemgang as against the actual transportation of Mithun from Wangkha to Zhemgang on the grounds that trucks were not available at Wangkha. No action had been taken.

#### **4.5 Non-deduction of liquidated damages – Nu.0.038 million**

The Strengthening of Livestock Development Initiative Project under the Department of Livestock had not imposed liquidated damages of Nu.0.038 million for 88 days of delay in the construction of District Veterinary Hospital in Wangdue. Neither the recovery nor any action had been taken against the responsible officials and the contractors.

#### **4.6 Issue of office equipment to the former Programme Director**

A Toshiba Laptop and HP DeskJet 880C printer issued to the former Programme Director of the National Feed and Fodder Development Programme on returnable basis was not returned. No action had been taken.

#### 4.7 *Non-availability of equipment*

Out of the four analytical balances (costing Nu. 0.096 million each) and two air compressors (costing Nu. 0.072 million each) purchased from M/s Karma Tshongkhang for Bhutan Agriculture and Food Regulatory Authority laboratory at Yesupang, one analytical balance and one air compressor was not available in the laboratory during the physical verification. Its cost was subsequently deposited into the ARA. However, appropriate action against the supplier and the officials concerned as recommended by the RAA was not taken.

#### 4.8 *Non-reconciliation of Stock Account*

The Livestock Central Store, Phuentsholing had no system of carrying out periodical stock taking to ensure the accuracy of stock balances, as a result there were discrepancies between the balances as given hereunder:

Year	Medicine	Issued qty. as per challan	Qty. as per stock register.	Difference
2003-04	1. Tetracycline Hcl W/S	7,550	6000	1,500
	2. Ampicillin Inj.	1,300	1,281	19
	3. Fenbendazole Pdrs.	2,685	2,591	94
	4. Prazinquantel	1,896	1,485	411
	5. Hexamine Pdr.	453	354	99
2004-05	1. Sulphadimidine Bolus	4,827	4,721	106
	2. Lignocaine Hcl	5,206	3,166	2,040
	3. Adrenalin Inj	2,640	1,545	1,095
2005-06	1. Albendazole granules	8,295	7,708	587
	2. Oxytocin	1,980	50	1,930
	3. Adrenachrome	815	130	685
Year	Instrument	Issued qty. as per challan	Qty. as per stock register.	Difference
2003-04	1. Suture thread ( silk)	167.50	252	84
	2. Bandage 7.5 cm	1,566	1,550	16
	3. Cotton	1,750	1,664	86
2004-05	1. Disposable Syringe 2ml	1,769	1,400	369
	2. Disposable Syringe 5ml	1,770	1,720	50
	3. Stethoscope	56	46	10
	4. Thermometer (imp)	59	41	18

The differences were not reconciled.



#### 4.9 Outstanding advances – Nu.5.466 million

There were cases of outstanding advances aggregating to Nu.5.466 million as summarised hereunder:

Sl. No	Observation in brief	Nu. in million	Para No	Who are accountable?
a	Outstanding advances	2.702	3	Sonam Wangdi, CAO and P.Y Rinzin
b	Outstanding advances	1.476	1.11	Nawang Norbu, Chief Forestry Officer
c	Outstanding advances	1.096	8	Tshering Tenzin, CA; Ugyen Tshewang, SAO and Sangay, Program Director
d	Outstanding advances	0.142	6	Tikaram Biswa and Ugen Takchu
e	Unauthorized payment of advances	0.050	5	Karma and Sonam Wangdi
	<b>Total</b>	<b>5.466</b>		

The cases are explained hereunder:

- The Secretariat, Ministry of Agriculture had advances of Nu.2.702 million lying outstanding against various officials, contractors and other agencies.
- The Thrumshingla National Park, Ura had advances of Nu.1.476 million lying outstanding against various contractors and employees.
- The PFO, Khangma had advances of Nu. 1.096 million lying outstanding against various employees, suppliers and others as on 30<sup>th</sup> September 2007. However, Nu.0.030 million was deposited into ARA while Nu.0.034 million was adjusted leaving a balance of Nu.1.096 million.
- The Department of Survey and Land Records had advances of Nu. 0.142 million lying outstanding against various officials and staffs as under.

Sl. No.	Name	Present Address	Emp. ID No.	Balance (Nu)	Remarks
<i>LC Account</i>					
1	Sonam Phuntsho, SE	DUDES, MoWHS	8008006	11,811.00	Overdue
2	Tenzin Wangdi, LRA	Gasa Dzongkhag	9909063	5,000.00	Overdue
3	Dungkala, LRO	Chukha Dzongkhag	7103010	99,704.00	Overdue
4	Nob Tshering, CAO	MoHCA	8909016	15,000.00	Overdue
<i>CD Account</i>					
1	Sonam Phuntsho, SE	DUDES, MoWHS	8008006	2,189.00	Overdue
3	Neten Dorji, Syr	DSLRL	8105034	5,650.00	Current year
4	Lotay, Syr	DSLRL	200208088	3,000.00	Current year
<b>Total</b>				<b>142,354.00</b>	

- e) The Department of Survey and Land Records had paid salary advance of Nu. 0.050 million to driver Karma on recoverable monthly installment of Nu. 0.002 million in June 2007 without proper approval. No action had been taken.

## 6.2 Ministry of Economic Affairs

During the period, the Royal Audit Authority had issued eight audit reports of the Ministry of Economic Affairs, the then Ministry of Trade and Industry. There were eighty six observations pointed out in the reports involving Nu.48.307

million. However, seventy five observations amounting to Nu.40.378 million were settled. The total unresolved significant irregularities amounted to Nu.0.448 million as summarised below:

Sl. No.	Observations in brief	Nu in Million	Category Code
1	Fraud, Corruption & Embezzlement	0.393	1 & 2
2	Shortfalls, Lapses and Deficiencies	0.055	5
	<b>Total</b>	<b>0.448</b>	

### 1 Fraud, Corruption and Embezzlement – Nu. 0.393 million

There was one case indicating fraud, corruption and embezzlement involving Nu.0.393 million as summarised hereunder:

#### 1.1. Fictitious payment – Nu.0.393 million (Para 1.1&1.2)

The Department of Geology and Mines (DGM) had cases of fictitious payment of wages amounting to Nu. 0.393 million by inflating the number of days for the labourers deployed in the field. However, Nu.0.145 million was later deposited leaving a balance of Nu.0.248 million. The Ministry had taken administrative action only and failed to take action as per the law of the land.

#### **Who are Accountable?**

*Dorji, DE; Jamba Dorji, DE; Nawang Norbu, Drilling Head; Hasta Bdr. Sangpang, DCFO, Dorji Tshering, Finance Officer and Dorji Wangda, Director*

### 2 Shortfall, Lapses and Deficiencies – Nu. 0.055 million

There were cases of shortfalls, lapses and deficiencies aggregating to Nu.0.055 million as summarised hereunder:

Sl. No	Observation in brief	Nu in Million	Para No	Who are accountable?
2.1	Payment for establishment of dry port	-	8	
2.2	Outstanding advances	0.055	6	Sonam Yangley, Former Director and Dechen Choden, Assistant Program Officer
	<b>Total</b>	<b>0.055</b>		

The cases are explained below:

### **2.1 Payment for establishment of dry port at Phuentsholing**

The Department of Trade had made total compensation payment of Nu. 7.095 million on the acquisition of private land, building and other properties from the affected parties for the establishment of Dry Port at Phuentsholing as given hereunder:

Sl. No	Name of Parties	Amount (Nu.)	Vr. No. & Date	Reference letter No. & Date
1	Pema Lhadon (private Plot of Land with two storied building)	2,696,688.08	33 of 24/04/06	DT/FT-5/2006/283 dtd. 8 <sup>th</sup> May 2006
2	M/s STCBL, Phuentsholing	4,398,295.10	32 of 24/04/06	
	<b>Total</b>	<b>7,094,983.18</b>		

In spite of having already paid the compensations, the Department had not taken over the lands. Owing to various reasons, the management had responded that it is still under the process of taking over the lands.

### **2.2 Outstanding advances – Nu.0.055 million**

The Department of Industry had advances of Nu.0.055 million lying outstanding against various officials.

## **6.3 Ministry of Education**

During the period, the Royal Audit Authority had issued six audit reports of the Ministry of Education and its departments, divisions and units. Out of the total of thirty observations amounting to Nu.113.934 million pointed out in the

reports, nine observations amounting to Nu.88.527 million were settled. The total unresolved significant irregularities amounted to Nu.14.356 million as summarised below:

Sl. No.	Observations in brief	Nu. in Million	Category Code
1	Fraud, Corruption & Embezzlement	13.584	1 & 2
2	Violation of Laws and Rules	0.023	4
3	Shortfall, Lapses & Deficiencies	0.749	5
	<b>Total</b>	<b>14.356</b>	

## 1 Fraud, Corruption and Embezzlement – Nu. 13.584 million

There were cases of strong indicators of fraud, corruption & embezzlement involving Nu.13.584 million as summarised hereunder:

Sl. No	Observations in brief	Nu. in Million	Para No.	Who are accountable?
1.1	Procurement scam of Science laboratory equipment	13.068	1	Penjor Dorji, Procurement Officer; Minjur Dorji, Chief Procurement Officer; Tshen Norbu, Finance Officer; Tshewang Dorji, Finance Officer; Wangpo Tenzin, Curriculum Officer and Tashi Tobgye, Chief Administrative Officer
1.2	Payment of travelling and daily allowances at higher grades	0.480	1	Deki Yangzom, CO; Til Bdr. Chettri, Teacher; Lhundrup Dukpa, CO; Tshering, CO and Tenzin Dorji, CO (all Supervisory)
1.3	Misrepresentation of facts	0.036	5	Pema Tenzin, Assistant Principal; Tashi Lhamo, Vice Principal; Tshering Dema, Teacher; Phub Gyeltshen, Teacher; Lhendup Dukpa, CO and Dorji Wangchuk, CO
	<b>Total</b>	<b>13.584</b>		

The cases are explained below:

### 1.1 Procurement scam of Science laboratory equipment – Nu.13.068 million

Funds amounting to Nu.13.068 million were siphoned off through illegitimate payments in the procurement of science laboratory equipment. The systemic lapses and fraudulent practices, which allowed the supplier to bill for items short supplied and even for items not supplied at all and other relative lapses are summarised below:

**Manipulation in Notice Inviting Quotation (NIQ)** – The NIQ for procurements made in 2003-04 were not floated but fictitious documents were maintained to create transaction trails and comply with the documentation requirements. While the NIQ was not aired, records showed five firms having participated in the tender indicating managed tender.

***Non-production of bidding documents*** – The bid documents for the supply of laboratory equipment and chemicals for the fiscal year 2005-2006 were not produced for review. From the documents available, it transpired that three firms had submitted their bids for the supply of these materials, of which two firms had ceased to operate/trade on such materials since 30<sup>th</sup> June 2004. Thus, the bids of the two firms were apparently managed indicating fraudulent practices.

***Non-transparent Bill of Quantities in the bids*** – The Ministry had invariably called quotations for single set of equipment to be procured while the actual supply orders were made for multiple sets. The information on the bids was not transparent, as the bidders did not know the actual quantity of supplies depriving the Government of the economies of scale.

***Non-availability of packing list*** – The Ministry had no records of the packing list for the supply of equipment to various schools for the fiscal year 2003 - 2004 and 2004 – 2005. In absence of such document, the authenticity of actual quantities supplied and payments made were not accurately ascertainable.

***Supply orders placed without Bill of Quantities*** – The supply orders did not indicate the actual quantities of equipment agreed to be supplied. The quantities were indicated in sets while the contents in the sets were not defined. Neither the Education Central Store nor the recipient schools seemed to have understood the type or quantity of equipment to be received by them. The supplier had billed in sets and the recipient verified without understanding the contents in the sets.

***Preference in brands of materials*** – The Ministry had resorted to preference in brands rendering undue favour to a particular firm while discouraging other firms supplying similar items of other brands.

***Lack of due diligence on verification and payment of bills*** – The bills for procurement in millions did not receive adequate diligence and scrutiny as required.

***Improper planning and monitoring system*** – Several instances of improper planning and inadequate monitoring by competent authorities were noted.

The illegitimate payments represented **45.27%** of the total cost of procurement of the science laboratory equipment and consumable items. However, the amount had been recovered and deposited into ARA and the Ministry had charge sheeted only the supplier and the procurement officer. The final outcome of the case is awaited.

## ***1.2 Payment of travelling and daily allowances at higher grades - Nu.0.480 million***

The Curriculum & Professional Support Division, Department of School Education had paid travelling and daily allowances aggregating to Nu.0.480 million by fraudulently increasing the grades of participants attending English

Orientation Workshop at Trashigang and Wangdue, English & Dzongkha Curriculum Writers Workshop at Paro, Dzongkhag Orientation Workshop at Phuntsholing and Second round Dzongkha Needs Assessment Survey Report compilation Workshop at Paro. Subsequently, Nu.0.282 million had been recovered and deposited into ARA leaving a balance of Nu.0.198 million. Further, no actions were taken against the officials responsible for the fraudulent practices.

### **1.3 Misrepresentation of facts – Nu.0.036 million**

The Curriculum & Professional Support Division, Department of School Education had paid travelling and daily allowances aggregating to Nu. 0.036 million to various participants of the Writers Workshop on English Curriculum Review & Reform at Paro and Social Studies Teacher Manual Workshop at Thimphu. The payees had changed their place of posting to be eligible for the payment of such allowances. Subsequently, Nu.0.010 million only had been recovered and deposited into ARA leaving a balance of Nu.0.026 million. Further, no actions were taken against the officials responsible for the fraudulent practice.

## **2 Violation of Laws and Rules – Nu. 0.023 million**

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There was one case falling under violation of laws and rules involving Nu. 0.023 million as summarised hereunder:

### **2.1 Non-levy of Liquidated damages – Nu.0.023 million (Para 3)**

The Education Development Project had not levied liquidated damages of Nu.0.023 million for delay in the supply of materials for the construction of schools with Light Gauge Steel Frame. No action had been taken.

#### **Who are accountable?**

*Basant Raj Chettri, JD and Tshewang Tandin, Director*

## **3 Shortfall, Lapses & Deficiencies – Nu. 0.749 million**

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There were cases of shortfalls, lapses & deficiencies involving Nu.0.749 million as summarised hereunder:

Sl. No	Observations in brief	Nu. in Million	Para No.	Who are accountable?
3.1	Inadmissible payment	0.192	1, 2.1	Pem Yangden, AO; Pema Wangdi, Sr. SO and Dr. Phub Rinchen, Secretary (BBED)
3.2	Irregularities in procurement and payment of incentives	0.326	3.2& 1	Lobzang Dorji, Procurement Officer; Tashi Tobgye, Chief Adm. Officer; Phub Dorji, Asstt. Programme Officer and Tandin Dorji, Programme Officer
3.3	Non-production of document	-	6	Penjor Dorji, Procurement Officer and Tashi Tobgye, Chief Administrative Officer
3.4	Outstanding advances	0.231	3	Pema Wangdi, Sr. SO (Supervisory)
	<b>Total</b>	<b>0.749</b>		

The cases are as explained below:

### ***3.1 Inadmissible payment – Nu.0.192 million***

- a) The Department of Youth & Sports had made inadmissible payments of Daily Subsistence Allowance of Nu.0.195 million to its officials without performing tour as confirmed from the daily attendance registers. Subsequently, Nu.0.147 million had been recovered and deposited into ARA leaving a balance of Nu.0.048 million. No action had been taken.
- b) The Ministry had made inadmissible payments of Nu.0.144 million on account of travelling and daily allowances to seven teachers who did not participate in the Evaluation Camp at Khuruthang. No action had been taken.

### ***3.2 Irregularities in procurement and payment of incentives – Nu.0.326 million***

- a) The Dzongkha Development Authority (DDA) had procured computers valuing Nu. 0.146 million without inviting open tender. Further, the computers supplied were not as per the specification. The DDA had neither replaced the computers nor recovered the differential cost.
- b) The Dzongkha Development Authority had paid incentives of Nu.0.075 million to the Dzongkha Focal Persons without confirmation or appointment orders from the respective agencies. Similarly, the DDA had paid Nu.0.105 million to the Dzongkha Focal Persons who had served more than three years resulting in irregular payment of incentives. No action had been taken.

### ***3.3 Non-production of documents for verification***

The Ministry had not produced tender documents for procurement of duplicating machine and type-writers involving payments of Nu.1.200 million. Further,



various Divisions excepting the BBE and UNESCO had not produced the attendance registers for verification. No action had been taken.

### 3.4 Outstanding advances- Nu.0.231 million

The Ministry had advances of Nu.0.231 million lying outstanding against various individuals.

## 6.4 Ministry of Finance

During the period, the Royal Audit Authority had issued nine audit reports of the Ministry of Finance and its departments, divisions and units. Out of the eighteen observations amounting to Nu.44.646 million pointed out in the

reports, seven observations amounting to Nu.26.573 million were settled. The total unresolved significant irregularities amounted to Nu.17.722 million as summarised below:

Sl. No.	Observations in brief	Nu. in Million	Category Code
1	Mismanagement	4.663	3
2	Shortfall, Lapses & Deficiencies	13.059	5
	<b>Total</b>	<b>17.722</b>	

### 1 Mismanagement – Nu. 4.663 million

There were cases of mismanagement in the form of non-realisation of taxes, fees and rents involving Nu.4.663 million as summarised hereunder:

Sl. No	Observations in brief	Nu. in Million	Para No.	Who are accountable?
1.1	Overdue taxes & revenue	4.239	1.7, 1.8, 1.4, 1.5, 3.1, 3.2	Ugyen Kezang, Joint Commissioner, Sherub Chojay, Assistant Commissioner and Karma Loday, Regional Commissioner
1.2	Abnormal delays in the deposit of revenue	0.262	4.1.3	Yeshey Dorji, Accounts Assistant, Ugyen Sonam, Accounts Assistant and Karma Loday, Regional Commissioner
1.3	Non/short levy of penal interest	0.056	1.2	Ugyen Kezang, Joint Commissioner and Karma Loday, Regional Commissioner

1.4	Non levy of excise duty	0.106	2.1, 2.2	Chhophel, Customs Inspector, Pema Wangchen, Assistant Commissioner and Karma Loday, Regional Commissioner
	<b>Total</b>	<b>4.663</b>		

The cases are as explained below:

### ***1.1 Overdue taxes and revenue – Nu.4.239 million***

- a) The Regional Revenue & Customs Office, Samtse had Business Income Tax of Nu. 0.198 million lying outstanding against M/s Dhendup Humes Industries, Pugli for the Income Year 2005.
- b) The Regional Revenue & Customs Office, Samtse had Business Income Tax of Nu. 0.068 million lying outstanding against various Business Units under its jurisdiction.
- c) The Regional Revenue & Customs Office, Thimphu had Business Income Tax of Nu. 0.839 million lying outstanding against M/s Bae-Yul Excursion, Thimphu for the Income Year 2004 to 2006.
- d) Corporate, Business Units and other Tax payers under the jurisdiction of the Regional Revenue and Customs Office, Thimphu had Corporate, Business and Personal Income Tax of Nu.2.356 million lying outstanding for the Income Year 2005.
- e) The Regional Revenue & Customs Office, Thimphu had not realised penal interest amounting to Nu. 0.262 million from various tax payers of Thimphu and Punakha.
- f) The Regional Revenue & Customs Office, Thimphu had Bhutan Sales Tax of Nu. 0.219 million lying outstanding against Dia Chee Restaurant, Hotel Dragon Roots and Hotel Jhomolhari.
- g) The Duty Free Shop had outstanding sale proceeds of Nu.0.297 million.

No action had been taken for the overdue taxes and revenue.

### ***1.2 Abnormal delays in the deposit of revenue – Nu.0.262 million***

The Regional Revenue & Customs Office, Thimphu had instances of abnormal delays in deposit of revenue into Royal Government Revenue Account. The penal interest on the late deposit of revenue amounted to Nu. 0.262 million. No action had been taken.

### ***1.3 Non/short levy of penal interest – Nu.0.056 million***

The Regional Revenue & Customs Office, Thimphu had erroneously assessed the Business Income Tax of M/S Bhutan Construction, Thimphu for the Income Year 2004 and 2005 resulting in non-imposition of penalties of Nu.0.056 million. No action had been taken.

#### **1.4 Non-levy of excise duty – Nu. 0.106 million**

The Regional Revenue & Customs Office, Thimphu had not levied excise duty amounting to Nu. 0.106 million for the goods damaged or the loss occurred in transit. The excise duties from the domestic manufacturing companies were also not realised. No action had been taken.

## **2 Shortfall, Lapses & Deficiencies – Nu. 13.059 million**

There were cases of shortfalls, lapses & deficiencies involving Nu.13.059 million as summarised hereunder:

Sl. No	Observations in brief	Nu. in Million	Para No.	Who are accountable?
2.1	Delay in completion of works	0.314	1.2	Lham Dorji, Director; Wangda Tshering, JE; Tashi Wangley, Technician and Phenphay R Dukpa, Head, AFD
2.2	Outstanding advances	12.745	2, 1, 1.1, 3	Dorji Drukpa, former Accountant; Rinchen Gyeltshen, Accountant, Udesh Chhetri, Asstt. Accounts Officer, Phenphey R Dukpa, Head, AFD; Chening Pelden, Accounts Officer; Pema Tshewang, Chief Programme Officer and Kezang Dorji, Manager
	<b>Total</b>	<b>13.059</b>		

The cases are explained below:

#### **2.1 Delay in completion of works – Nu.0.314 million**

The installation of Fire Alarm system at *Gyelyong Tshokhang*, Thimphu was not completed even after grant of time extension of one month. The liquidated damages till the date of audit (i.e. for 93 days of delay) worked out to Nu.0.314 million. No action had been taken.

#### **2.2 Outstanding advances – Nu.12.745 million**

- a) The Ministry had advances of Nu. 12.450 million lying outstanding against various officials and other parties.
- b) The Department of Aid & Debt Management had airfare advances of Nu. 0.245 million lying outstanding against various officials of the Department.
- c) The Department of Revenue and Customs had advances of Nu. 0.050 million lying outstanding against various officials.

## 6.5 Ministry of Foreign Affairs

During the period, the Royal Audit Authority had issued three audit reports of the Ministry of Foreign Affairs and its Embassies abroad. Out of thirty one observations amounting to Nu.7.390

million pointed out in the reports, ten observations amounting to Nu.2.590 million were settled. The total significant irregularities amounted to Nu.3.430 million as summarised below:

Sl. No.	Observations in brief	Nu. in Million	Category Code
1	Fraud, Corruption & Embezzlement	2.225	1 & 2
2	Shortfall, Lapses & Deficiencies	1.205	5
	<b>Total</b>	<b>3.430</b>	

### 1 Fraud, Corruption & Embezzlement – Nu. 2.225 million

There were cases of strong indicators of fraud, corruption & embezzlement involving Nu.2.225 million as summarised hereunder:

Sl. No	Observations in brief	Nu. in Million	Para No.	Who are accountable?
1.1	Misappropriation of revenue	1.189	1	Tshering Tobgay, Passport Officer
1.2	Cash shortages	0.934	1	Pema Dorji and Dorji Gyeltshen
1.3	Non deposit of govt. revenue	0.092	4.1, 4.2	Pema Dorji and Dorji Gyeltshen
1.4	Non/Short accountal of funds	0.010	2.1, 2.2	Pema Dorji and Dorji Gyeltshen
	<b>Total</b>	<b>2.225</b>		

The cases are explained below:

#### 1.1 *Misappropriation of revenue – Nu.1.189 million*

The Ministry had a case of misappropriation of revenue amounting to Nu.1.189 million collected on account of issue of Passports. However, an amount of Nu. 1.187 million was later deposited into ARA. The ministry had taken only disciplinary actions which did not commensurate with the case of misuse of government funds.

#### 1.2 *Cash shortages – Nu.0.934 million*

The Royal Bhutanese Embassy, New Delhi had cash shortages of Nu. 0.934 million. The cash shortages were concocted through inappropriate adjustment, omission of advance balance, double booking and under statement of cash

balances. However, the cash shortages had been later deposited into ARA. Further, the Department of Public Accounts was intimated for initiating appropriate actions against the defaulter. Appropriate action is awaited for the misuse of fund.

### **1.3 Non-deposit of government revenue – Nu.0.092 million**

The Royal Bhutanese Embassy, New Delhi had not deposited or accounted revenue of Nu. 0.026 million and USD 160 (Nu.6,400 at USD 1 = Nu.40) collected on account of renewal, new issues and extension of Passports. Similarly, as against the total rent collection of Nu. 0.447 million, only Nu. 0.387 million were accounted for in the cash book resulting in short deposit of Nu. 0.060 million. Although, the amount was later deposited into the ARA, no action had been taken for the fraudulent practice.

### **1.4 Non/Short account of funds – Nu.0.010 million**

The Royal Bhutanese Embassy, New Delhi had booked excessive bank charges of USD 115.68 (Nu.4,627.20 at USD 1 = Nu.40) in the cashbook resulting in the decrease in bank balances. Similarly, USD 135 was not properly accounted for in the cashbook resulting in understatement of cash balances. The equivalent amount for USD 135 (Nu.0.005 million) had been later deposited into ARA. No action had been taken.

## **2 Shortfall, Lapses & Deficiencies – Nu. 1.205 million**

There were cases of shortfalls, lapses & deficiencies involving Nu.1.205 million as summarised hereunder:

Sl. No	Observations in brief	Nu. in Million	Para No.	Who are accountable?
2.1	Payment made without supporting documents	0.029	3.1	Tshering Phuntsho, Finance Officer
2.2	Discrepancy in Student Fund Account	0.033	4.1	Tshering Phuntsho, Finance Officer
2.3	Irregular withdrawal of government funds	0.030	6	Pema Dorji and Dorji Gyeltshen
2.4	Outstanding advances	1.113	6.1, 2.2, 5.1	Norbu Dhendup, FO; Tashi Dorji; Pema Dorji; and Dorji Gyeltshen
	<b>Total</b>	<b>1.205</b>		

The cases are explained below:

### **2.1 Payment made without supporting documents – Nu. 0.029 million**

The Royal Bhutanese Embassy, Dhaka had booked an expenditure of Nu.0.037 million (USD 958.04 x Nu.39.00) without supporting documents. However, Nu.0.008 million (USD 207.61 x Nu.39.00) had been later adjusted leaving a balance of Nu.0.029 million (USD 750.43 x Nu.39.00). No action had been taken.

### **2.2 Discrepancy in Student Fund Account – Nu.0.033 million**

The Royal Bhutanese Embassy, Dhaka had shortages of students' stipend of Nu. 0.033 million (USD 831.86 x Nu.40.00). No action had been taken.

### **2.3 Irregular withdrawal of government funds – Nu.0.030 million**

The Royal Bhutanese Embassy, New Delhi had deposited Nu.0.030 million into the ARA of the Royal Audit Authority from the Government Budget Fund to settle the old audit observations. No action had been taken.

### **2.4 Outstanding advances – Nu.1.113 million**

- a) The Ministry had advances of Nu. 0.658 million lying outstanding against various individuals and private parties.
- b) The Royal Bhutanese Embassy, New Delhi had advances of Nu.0.455 million lying outstanding against various individuals, suppliers and private parties.

## **6.6 Ministry of Health**

During the period, the Royal Audit Authority had issued ten audit reports of the Ministry of Health and its departments, divisions and units. Out of the sixty nine observations amounting to Nu.158.806 million pointed out in the

reports, fifty nine observations amounting to Nu.157.373 million were settled. The total unresolved significant irregularities amounted to Nu. 1.433 million as summarised below:

Sl. No.	Observations in brief	Nu. in Million	Category Code
1	Fraud, Corruption & Embezzlement	0.079	1 & 2
2	Shortfalls, Lapses & Deficiencies	1.354	5
	<b>Total</b>	<b>1.433</b>	

## 1 Fraud, Corruption & Embezzlement – Nu. 0.079 million

There were cases of strong indicators of fraud, corruption & embezzlement involving Nu. 0.079 million as summarised hereunder:

Sl. No	Observations in brief	Nu. in Million	Para No.	Who are accountable?
1.1	Manipulation of facts /records and excess payment	0.057	1.9	Tsheten Gyeltshen, PD; N. Sree Kumar, FM and Nado Dukpa, Deputy Secretary
1.2	Non-accountal of cash	0.022	1	Pema Tshering, former Accountant and Nado Dukpa, Deputy Secretary
	<b>Total</b>	<b>0.079</b>		

The cases are explained below:

### 1.1 *Manipulation of facts/records - Nu.0.057 million*

The Ministry under its Government of India Project had directed an official of the HIDP to attend Exhibition on construction materials at Bangkok from 4<sup>th</sup> to 7<sup>th</sup> October 2004. However, the official had manipulated the approved note sheet and the air tickets to appear that the incumbent was attending a workshop from 8<sup>th</sup> to 17<sup>th</sup> October 2004. This had resulted into excess payment of Nu.0.057 million. Besides intimating the official concerned to settle the issue, the Ministry had not taken any action.

### 1.2 *Non-accountal of cash – Nu.0.022 million*

The refund of double payment of Nu.0.022 million was not accounted in the cashbook resulting into cash shortages. Although, the amount had been later deposited, no action had been taken against the official responsible on the pretext that the incumbent had resigned from the service.

## 2 Shortfalls, Lapses & Deficiencies – Nu. 1.354 million

There were cases of shortfalls, lapses & deficiencies involving Nu.1.354 million as summarised hereunder:

Sl. No	Observations in brief	Nu. in Million	Para No.	Who are accountable?
2.1	Excess payment to contractors	0.278	1, 2	Sonam Tobgay, AE and Dr. Ugyen Dopphu, Medical Director
2.2	Inadmissible payment	0.041	1.1 2	Tsheten Gyeltshen, PD; N.Sree Kumar, FM and Nado Dukpa, DS



2.3	Outstanding advances	1.035	1.1 3	Wangdi Gyeltshen, PD; Phub Tshering, PM; Dr. Lungten Wangchuk; N. Sree Kumar, FM and Nado Dukpa, DS
	<b>Total</b>	<b>1.354</b>		

The cases are as explained below:

### **2.1 Excess payment to contractors – Nu.0.278 million**

- a) The Jigme Dorji Wangchuck National Referral Hospital had made over payment of Nu. 0.106 million to the contractor on repair and renovation of staff quarters. Neither the recovery nor any action had been taken against the responsible official/s and the contractor.
- b) The Jigme Dorji Wangchuck National Referral Hospital had made excess payment of Nu. 0.172 million while executing the painting of the Hospital wards. Neither the recovery nor any action had been taken against the responsible official/s and the contractor.

### **2.2 Inadmissible payment– Nu.0.041 million**

The Ministry of Health under its Government of India Project had paid actual expenditure to its Project Director for travels within Bhutan in contravention to the existing norms resulting into inadmissible payment of daily allowances of Nu. 0.041 million. Neither the recovery nor any action had been taken against the responsible official/s.

### **2.3 Outstanding advances – Nu.1.035 million**

- a) The Ministry under its Government of India Project had advances of Nu. 0.090 million lying outstanding against various officials, suppliers and contractors.
- b) The Ministry under its Rural Water Supply & Sanitation Scheme had advances of Nu. 0.945 million lying outstanding against various officials.

## **6.7 Ministry of Information & Communication**

During the period, the Royal Audit Authority had issued seven audit reports of the Ministry of Information & Communication and its departments, divisions and units. Out of the seventy one observations amounting to Nu. 15.944

million pointed out in the reports, fifty five observations amounting to Nu.13.779 million were settled. The total unresolved significant irregularities amounted to Nu.1.163 million as summarised below:

Sl. No.	Observations in brief	Nu. in Million	Category Code
1	Mismanagement	1.116	3
2	Shortfalls, Lapses & Deficiencies	0.047	5
	<b>Total</b>	<b>1.163</b>	

## 1 Mismanagement – Nu. 1.116 million

There was one case of mismanagement of funds involving Nu. 1.116 million as summarised hereunder:

### 1.1. *Outstanding revenue – Nu.1.116 million (Para 5)*

The Regional Transport Office, Phuntsholing had not collected Annual Vehicle Renewal fees of Nu.1.116 million from various vehicle owners. No action had been taken.

#### **Who are accountable?**

*Prem Prasad Adhikari, ARTO and Sonam Gyeltshen, RTO*

## 2 Shortfalls, Lapses & Deficiencies – Nu. 0.047 million

There were cases of shortfalls, lapses & deficiencies involving Nu.0.047 million as summarised hereunder:

Sl. No	Observations in brief	Nu. in Million	Para No.	Who are accountable?
2.1	Inadmissible payment	0.026	3.1	Tashi Norbu, Director (Supervisory)
2.2	Excess/over payment to contractors	0.021	1.1	Gyem Tshering, Chief SE and Tashi Norbu, Director
	<b>Total</b>	<b>0.047</b>		

The cases are explained below:

### 2.1 *Inadmissible payment – Nu.0.026 million*

The Road Safety & Transport Authority, Headquarters had made inadmissible payment of travelling and daily allowances of Nu.0.026 million to its officials. Neither recovery nor any action had been taken.

### 2.2 *Excess/over payment to contractors – Nu.0.021 million*

The Road Safety & Transport Authority, Headquarters had made excess payment of Nu. 0.021 million on the construction of fence around the Road Safety and Transport Authority complex by way of admitting higher quantities against the

actual quantity of works done. Neither recovery nor any action had been taken against the responsible official/s and the contractor.

## 6.8 Ministry of Labour and Human Resources

During the period, the Royal Audit Authority had issued four audit reports of the Ministry of Labour & Human Resources and its departments, divisions and units. Out of the fourteen observations amounting to Nu.1.618 million pointed out in the reports, ten observations amounting to Nu.1.480 million were settled. The total unresolved significant irregularities amounted to Nu.0.055 million as summarised below:

### 1 Shortfalls, Lapses & Deficiencies – Nu. 0.055 million

There was one case falling under shortfalls, lapses & deficiencies involving Nu.0.055 million as summarised hereunder:

#### 1.1 *Excess payment to suppliers – Nu.0.055 million (Para 4)*

The Institute for Zorig Chusum, Trashiyangtse had accepted claims of 25 m<sup>3</sup> to 40 m<sup>3</sup> per truck load of firewood while as per the agreement one truckload of firewood was to be taken as 12m<sup>3</sup> only. This had resulted into excess payment of Nu. 0.055 million. Neither recovery nor any action had been taken against the responsible official/s and the contractor.

#### *Who is accountable?*

*Tshering Wangchuk, Accountant*

## 6.9 Ministry of Works & Human Settlement

During the period, the Royal Audit Authority had issued sixteen audit reports of the Ministry of Works & Human Settlement and its departments, divisions and units. Out of one hundred and ninety eight observations amounting to Nu.451.258 million pointed out in the reports, one hundred and sixteen observations amounting to Nu.287.678 million were settled. The total unresolved significant irregularities amounted to Nu.48.638 million as summarised below:

Sl. No.	Observations in brief	Nu. in Million	Category Code
1	Fraud, Corruption & Embezzlement	10.314	1 & 2
2	Mismanagement	16.159	3
3	Violation of Laws and Rules	11.364	4
4	Shortfalls, Lapses & Deficiencies	10.801	5
	<b>Total</b>	<b>48.638</b>	

## 1 Fraud, Corruption & Embezzlement – Nu. 10.314 million

There were strong indicators of fraud, corruption & embezzlement involving Nu.10.314 million as summarised hereunder:

Sl. No	Observations in brief	Nu. in Million	Para No.	Who are accountable?
1.1	Payments for works not executed	10.314	1.1	Sonam Wangchuk, JE; Pema Tshewang, Lab Technician; Karma Rinzin, Project Manager, Tshering Wangdi, SE (Roads); Kunzang Wangdi, SE (S&D) and Phuntsho Wangdi, Director
1.2	Manipulation of bank guarantee by the contractor	-	6.1	Dorji Tshering, EE and Tsheten Dorji, EE
	<b>Total</b>	<b>10.314</b>		

The cases are explained below:

### 1.1 *Payments for works not executed - Nu. 10.314 million*

In the execution of Dense Bituminous Macadam (DBM) and Asphalt Concrete (AC) along the Tashichhodzong-Babesa Expressway, the contractor was paid for 100 mm thick comprising of 40 mm AC and 60 mm DBM as per the design. However, the findings of the Investigation Team revealed that the average thickness of the bituminous pavement actually executed was 70.83 mm with 31.34 mm AC and 39.49 mm DBM.

Not executing the work to the required technical specification had not only compromised quality and workmanship but had also resulted into payments for works not executed amounting to Nu.10.314 million representing 27% of the total cost of the works. Neither recovery nor any action had been taken against the responsible official/s and the contractor.

### 1.2 *Manipulation of bank guarantee by the contractor*

The Field Road Maintenance Division, Trashigang through the Departmental Level Tender Committee had failed to detect a tampered bank guarantee submitted by M/s. Kuenzang Construction during the bid evaluation for the

construction of Mukozor – Tshogonpa Road and resurfacing of approach road to Jigme Namgyel Polytechnic and Royal Bhutan Army Colony at Dewathang. The Contractor had tampered the Bank Guarantee amount of Nu.1.50 million issued by Bhutan National Bank and altered to Nu.5.00 million to win the contract of Nu.3.259 million. The inability of the tender committee to detect such frauds had deprived the Government and the bidders from a fair and competitive bidding. No action was taken on the improper evaluation of bids and for the fraudulent actions of the contractor.

## 2 Mismanagement – Nu. 16.159 million

There were cases of mismanagement (*non-realisation of taxes, fees and rents*) involving Nu.16.159 million as summarised hereunder:

Sl. No	Observations in brief	Nu. in Million	Para No.	Who are accountable?
2.1	Non-completion of planned activities/under utilisation of funds	6.618	4.1.1	Pema Tenzin, JE and K.N Sharma, Engineer
2.2	Illegal occupation of Govt. Land and non-realization of lease fees	6.376	1.1, 1.1	Kuenzang; Dawa Drakpa; Sangay Penjore; M.C Joseph, Engineer; Thinley Norbu, Architect and Jangchup Gyeltshen, Thrompon
2.3	Avoidable Expenditure	1.085	4.2, 10	Neten Tshering, AE; Kado Dukpa, Dy. EE and Rinchen Peza, Dy. EE
2.4	Revenue loss due to non/delayed allotment of stalls	1.026	3.6	Ganesh Gurung, SO and Hemraj Chhetri
2.5	Retention of huge stock/unserviceable stocks/idle stocks	0.400	2.2	Balaram Sharma, AE; Karma Dorji, Engineer; Tek Bdr. Darjee, Store In-charge; Sonam Tobgyel, EE and Tashi Norbu, EE
2.6	Non-levy of lease rents	0.332	1.2	M.C Joseph, Engineer; Thinley Norbu, Architect; and Jangchup Gyeltshen, Thrompon
2.7	Short collection of land transfer tax	0.250	2.1	Karma Ghalley, ALR; Karma Dorji, Sr. Urban Planner and Jangchup Gyeltshen, Thrompon
2.8	Outstanding Revenue	0.072	3.21	Ganesh Gurung, SO; Hemraj Chhetri; Chophel Dorji, AE and R.B Das, JE
	<b>Total</b>	<b>16.159</b>		

The cases are explained below:

## ***2.1 Non-completion of planned activity/under utilization of available funds - Nu.6.618 million***

The Field Division, Department of Roads, Lobesa had abandoned the construction of Jangchubcholing – Tashidingkha road construction after completing about 42 % of the actual length of the road on the pretext that the work was likely to be taken up by the Rural Access Project. Neither the Department nor the Rural Access Project had resumed the work thereafter. The non-implementation of the planned activity had blocked funds amounting to Nu.6.618 million that could have been allocated to other prioritised areas. No action had been taken.

## ***2.2 Illegal occupation of Government Land and non-realization of lease fees – Nu.6.376 million***

- a) The Thimphu City Corporation had not recovered fines and penalties along with the lease rent amounting to Nu.3.763 million for the indiscriminate and illegal occupation of Government land by various private parties. The Corporation had however stated that it has realised lease fees of Nu.0.125 million. No action had been taken.
- b) The Phuntsholing City Corporation had not recovered lease rent amounting to Nu. 2.613 million from various lessees occupying lands exceeding the allotted as per the lease agreement. Besides the fines and penalties applicable under Ka 6.20 of the Land Act was also not recovered. No action had been taken.

## ***2.3 Avoidable Expenditure – Nu.1.085 million***

- a) The Field Division, Department of Roads, Lobesa had made payments of Nu.3.782 million against the value of work done of Nu. 3.351 million in the construction of Samtengang Feeder Road. Similarly, the Division had disbursed payment of Nu.0.926 million as against the value of work done for Nu.0.717 million during the monsoon restoration works. This has resulted into avoidable expenditure of Nu.0.639 million. No action had been taken.
- b) The Field Division, Zhemgang had contracted out the road improvement work on Refee Wangdigang highway at 171.00km to 174.38km (3.38Km) at a cost of Nu.3.396 million. The payment for premix carpeting with bitumen and providing seal coat of premix sand with bitumen amounted to Nu.0.446 million. However, during the year 2006-2007, the same stretch of road was contracted out for resurfacing and the work was ongoing during site visit. This had resulted in the duplication of resurfacing works on the same stretch of road. The amount payable for the same quantity of work in the financial year 2006-2007 was Nu.0.538 million. Had the Division executed proper planning and monitoring, the Government would have saved approximately Nu.0.446 million. No action had been taken.

#### **2.4 Revenue loss due to non or delayed allotment of stalls – Nu.1.026 million**

The Thimphu City Corporation had number of stalls at various locations being not allotted or its allotment delayed causing revenue loss of Nu.1.026 million to the Government exchequer. No action had been taken.

#### **2.5 Retention of huge stock/unserviceable stocks/idle stocks – Nu.0.400 million**

The Field Division, Department of Roads, Lobesa had retained unserviceable and idle stocks valuing to Nu.0.400 million. Some of the materials were not serviceable while others were let to rust or turn obsolete. Further, there were cases where the Central Store had dispatched some of these materials without the requisition being put up the Field Division. No action had been taken.

#### **2.6 Non-levy of lease rents – Nu.0.332 million**

The Phuntsholing City Corporation had failed to realise lease rent of Nu.0.332 million from M/s Kinley Scrap Dealer who was occupying 4,334.85 sq.ft of Land near Norgay Cinema Hall. No action had been taken.

#### **2.7 Short collection of land transfer tax – Nu.0.250 million**

The Phuntsholing City Corporation had collected 5% transfer tax of Nu.0.250 million from a transfer of property valued at Nu.5.000 million. The actual value of the property was Nu.10.000 million resulting into short levy of 5% transfer tax of Nu.0.250 million. No action had been taken

#### **2.8 Outstanding Revenue – Nu. 0.072 million**

The Municipal Corporation, Gelephu had failed to collect municipal taxes and service charges of Nu.0.072 million payable for the Year 2003, 2004, 2005 and 2006. No action had been taken.

### **3 Violation of Laws and Rules – Nu. 11.364 million**

There were cases of violation of law and rules amounting to Nu.11.364 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in Million	Para No.	Who are accountable?
3.1	Non-levy of liquidated damages	9.830	2.1, 7.2,	Rinchen Dorji, Director; Tshering Dorji, Secretary; Karma Thinley, JE and C.K Pradhan, Project Manager
3.2	Non-enforcement of contractual provisions	1.534	6.5	C.L Sewa; Karchung, JE; Tshering Wangdi, CE; Emnath Chhetri, Project Manager and Phuntsho Wangdi, Director



3.3	Execution of substandard works	-	2.1.1	Shiva Lal Sharma, AE and Jangchuk Yeshey, CE
	<b>Total</b>	<b>11.364</b>		

The cases are explained below:

### ***3.1 Non-levy of liquidated damages – Nu.9.830 million***

- a) The Department of Urban Development & Engineering Services had awarded the preparation of Urban Development Structural Plan and local Area Plan for Gelephu, Samtse and Damphu to M/s. Benninger Architectonics USA Inc. The work was delayed by 179 days for which liquidated damages of Nu.0.400 million was not levied due to non-inclusion of liquidated damages clause in the Contract Document. No action had been taken.
- b) The Field Division, Department of Roads, Lobesa had not levied liquidated damages of Nu.9.430 million for 190 days delay in completion of the periodic maintenance of East West Highway, section 434.5 to 482.5KM of PM 7. The 190 days delay was considered as extension of time in deviation to the Section 100, subsection 111.3 of the technical specification. No action had been taken.

### ***3.2 Non-enforcement of contractual provisions – Nu.1.534 Million***

The Department of Roads had paid Nu.1.534 million to four contractors for installation of labour camps including installation of water supply and solid waste disposals, in line with contractual provisions in the widening of Chunzom – Isuna Highway. However, during the site visit, M/s Singye Construction and M/s Welfare Construction had failed to provide such facilities thereby violating the environmental code of practices, occupational standards and contractual provisions. No action was taken for such lapses.

### ***3.3 Execution of substandard works***

The construction of Ngabirongchu Bridge under the Expressway Project was completed in December 2006 but the traffic was restricted to one lane only due to development of some cracks on the Reinforced Cement Concrete (RCC) beams of the left lane of the bridge. Without the completion certificate and proper handing/taking over of the Bridge, the Director, Department of Roads had issued certificate to M/s Bhutan Builders certifying that the major works of the Ngabirongchu Bridge had been completed except for some remedial works.

The authorities attributed the main cause for inducing crack formations in the concrete to earthquake that had hit the bridge thrice after 16 days of concrete casting despite the fact that concrete at the distressed portion of the Bridge had failed three types of tests viz. Cube, Core Drill and the Schmidt Hammer. Thus,

the rationality of concluding the cause of the crack as earthquake alone was not justified.

The Contractor's Check Consultant had also expressed reservations against the design adequacy of the bridge structure itself. The supervising consultant had issued his first warning letter to the Contractor on the failure of the cube test and to take immediate Core Test & rebound Test; and the Second warning letter was issued with the instruction not to remove the Formworks. However, it was stated that the formworks were removed by the Contractor without the knowledge of the Consultants and the crack developed thereafter.

A further audit review had revealed the following deficiencies and lapses:

- Except for a report of crack mapping by the design consultant and the contractor and a joint inspection conducted by the Department with the design consultant and the contractor, the Department had not carried any independent assessment of the overall impact on the bridge structure due to the crack formation. Therefore, the rationality of agreeing to the remedial measures suggested by the design consultant was not understood.
- The Department had not certified as to whether the initial design strength and life span of the bridge would be attained after the remedial measures particularly the placing of steel beam to support the cracked Reinforced Cement Concrete beam suggested by the design consultant, was implemented.
- The remedial measures committed to be completed within April 2007 had not been carried out even as on the date of audit in September 2007. The department however, asserted that the contractor was in the process of fabricating the steel beam to be placed in support of the crack Reinforced Cement Concrete beam of the bridge.

The design and supervision of the bridge was outsourced to a consultant at a total cost of Nu.35.669 million. They were also the supervising consultant for three other bridges. The crack formation on the main Reinforced Cement Concrete beams could have been due to design and supervision failure or substandard execution of works. No action was taken.

#### **4 Shortfalls, Lapses & Deficiencies – Nu. 10.801 million**

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The Ministry had cases of shortfalls, lapses & deficiencies involving Nu.10.801 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. In Million	Para No.	Who are accountable?
4.1	Excess/over payments to contractors	0.022	5.1; 6.1; 6.2; 6.3	Thinley Dorji, Procurement Officer; Pem Chewang, CAO; C.L Sewa; Karchung, JE; Emnath Chhetri, Project Manager; Tshering Wangdi, CE and Phuntsho Wangdi, Director
4.2	Uneconomical operations & undue financial advantages to contractor	1.310	6.4	C.L Sewa; Karchung, JE; Emnath Chhetri, Project Manager; Tshering Wangdi, CE and Phuntsho Wangdi, Director
4.3	Irregular payment	0.422	4.1, 4.3.2	Kuenzang Lhamo, Accountant; Dak Tshering, DCAO; Phurpa Tshering, JE and Chengay
4.4	Excess expenditure	0.124	1.5	Ugyen Mama Dorji, AFO and Jangchub Tenzin, EE
4.5	Non-return of properties	0.024	2.3	Tek Bdr. Darjee, Store In-charge and Sonam Tobgyel, EE
4.6	Deficiencies in Bill of Quantities (BoQs) resulting into abnormal deviations and execution of extra works	-	3, 5	Shiva Lal Sharma, AE and Jangchuk Yeshey, CE
4.7	Non-implementation of the detailed design, drawings, specification and methodologies	-	1.2	Ugyen Pemo, JE; Rinchen Lhadar, JE on contract; K.S.M Pillai, AE; Karma Rinzin, Project Manager; Tshering Wangdi, SE (Roads); Kunzang Wangdi, SE (S&D) and Phuntsho Wangdi, Director
4.8	Injudicious decision on the cost sharing mechanism on the mitigation works of the Expressway	-	1.3	Ugyen Pemo, JE; Karma Rinzin, Project Manager; Tshering Wangdi, SE (Roads); Kunzang Wangdi, SE (S&D) and Phuntsho Wangdi, Director
4.9	Outstanding advances	8.899	3.1, 5.1, 5.1, 3.4, 4.1, 8, 5	Dak Tshering, DCAO; Seba Raj Subba, AAO; Sonam Tobgyel, EE; Phurpa Tshering, JE; Phuntsho Wangdi, AE; Ugyen Mama Dorji, AFO; Dhan Bdr. Rai, Accountant; Neeta Pradhan; R.S Tamang, DCAO; Jangchup Gyeltshen, Thrompon and Phuntsho Wangdi, Director
	<b>Total</b>	<b>10.801</b>		

The cases are explained below:

#### **4.1 Excess/over payments to contractors – Nu.0.022 million**

- a) The Department of Urban Development & Engineering Services had made excess payments of Nu.0.022 million on procurement of Acrylic woolen

carpet and PE sheets. Further, the purchases were made directly based on the market canvass rates collected from the firms in Siliguri. No action had been taken.

- b) The Department of Roads had made over payments of Nu.7.398 million in the widening of Chunzom-Isuna Highway. The Department had also not recovered cost of boulders amounting to Nu.2.478 million from the contractors. However, on the instance of the audit, the amount had been recovered and deposited into ARA but appropriate action against the defaulters is being awaited.

#### **4.2 *Uneconomical operations & undue financial advantages to contractor – Nu.1.310 million***

In the widening of Chunzom - Isuna Highway, the Department of Roads had included the construction of employer's office and accommodation with Random Rubble Masonry (RRM) foundation, Concrete flooring, Ekra wall in timber frame and Corrugated Galvanised Iron (CGI) sheet roofing in the Bill of Quantities (BOQ) and the estimates. The same work was awarded at negotiated price of Nu.1.600 million.

However, clause 4, Additional Clauses to section 2, conditions of the contract stipulated that *"The contractor shall provide site accommodation and office along with meeting hall to the employer's engineers (3nos), one Lab-Technician and two site assistants to JEs either by constructing at site or renting it within the project area along with furniture, equipment and communication facilities as specified"*.

The contractor had provided rented office and accommodation to the employer's engineer although the payments to the contractor were regulated as per the rates quoted for the construction. Thus the payments for construction of Nu.1.600 million despite accommodating in rented accommodation had resulted in undue financial benefits to the contractor to the extent of Nu. 1.310 million as the cost of the rented accommodation during the entire construction period would amount to Nu.0.290 million only. Further the accommodations of two engineers were found located beyond 10 km in contrary to 2 to 3 km away from the site stipulated in the contract agreement. The Department had not taken any action.

#### **4.3 *Irregular payment – Nu.0.422 million***

- a) The Department of Urban Development & Engineering Services had paid Nu.0.366 million as compensation for 42 decimal land owned by Cheri Dupdey at Changijji. The payment was made to the Principal of the Dupdey through an open cheque instead of an account payee cheque in favour of the actual beneficiary.

- b) The Thimphu City Corporation had paid for 146 meters of 16sq.mm cables as against the estimated requirement of 5 meters in the construction of two water fountains in Clock Tower Square. The excess requirement without any change in the drawings and specification had resulted into extravagant payment of Nu.0.056 million. No action had been taken.

#### **4.4 Excess Expenditure – Nu.0.124 million**

The Field Division, Department of Roads, Thimphu had made excess expenditure of Nu. 0.124 million in the development of car parking in front of the Ministry of Works & Human Settlement building. No action had been taken.

#### **4.5 Non-return of properties – Nu.0.024 million**

The Field Division, Department of Roads, Lobesa had not received materials such as Acconex, detonator, spacer etc. valuing to Nu.0.024 million issued to various agencies on returnable basis. No action had been taken.

#### **4.6 Deficiencies in Bill of Quantities (BOQs) resulting into abnormal deviations and execution of extra works**

- a) The drawings and designs including preparation of Bill of Quantities for the three expressway bridges was contracted at a total consultancy fee of Nu.16.032 million. Despite the payment of huge consultancy fees, there were huge deviations and execution of extra items involving a financial implication of Nu.38.730 million.

Despite, the payment of over Nu.16.032 million as consultancy fees, the consultant had failed to deliver the expected value for money. Based on the RAA's comments, the Department had decided to impose 10% of the consultancy fees for the mistake committed by the consultant. No action had been taken.

- b) In the construction of Flyover and Viaduct at Changbangdu Bridge, the design consultant was required to provide exhaustive and explicit Bill of Quantities (BOQ) to avoid deviation, changes, additions, alterations and substitution during implementation phase. Despite payment of consultancy fee of Nu.1.685 million, the 2<sup>nd</sup> Running Account bills of the Contractors with reference to the Bill of Quantities (BOQ) revealed abnormal deviations indicating incorrect assessment of Bill of Quantities (BOQ) leading to time and cost overruns. There were cases of significant plus deviations ranging from 3% to 724%. The overall deviations vis-à-vis the financial implication was not ascertainable as the work was still in progress. The above instances were an indication of unrealistic preparation of Bill of Quantities (BOQ) and professional incompetence of the consultant. No action had been taken.

#### ***4.7 Non-implementation of the detailed design, drawings, specification and methodologies prescribed by the Consultant in entirety resulting in premature failure of pavement structure of the Expressway***

The design, drawings and estimates prepared by the Consultant M/s RITES, after in-depth studies and using international standard specification, were considered deficient by the Department of Roads (DoR) leading to unexplained changes in technical specification and material co-efficient as well as curtailment of the scope of works.

The pertinent issues raised amongst others were as follows:

- Non execution of mechanised methods for Base Course Work and Dense Bituminous Macadam & Asphalt Concrete as outlined by the Consultant;
- Non application of Consultant's specification compromising the cost, quality and workmanship; and
- Curtailment of scope of works particularly, non-execution of item of work "Construction of sand blanket satisfying the requirements of specification with approved materials with all lead and lifts" and quantum variations from the quantities specified by the Consultant.

The issues raised had been reaffirmed by the findings of the Investigation Team, wherein the premature failure of the pavement structure of the expressway were concluded as due to changes in the design and drawings, specifications as well as curtailment of scope of works. The payment of huge consultancy fees had been rendered wasteful and the project to a total failure. No action had been taken.

#### ***4.8 Injudicious decision on the cost sharing mechanism adopted by the Technical Coordination Committee (TCC) on the mitigation works of the Expressway***

Based on the field investigation reports and approval accorded by the Technical Coordination Committee (TCC) of the Ministry of the Works & Human Settlement, the Expressway Project had incurred an expenditure of Nu 10.004 million on mitigation works during the financial year 2006-2007.

The expenditures on the mitigation works were met from the government although the failures of the pavement structure of the expressway were due to substandard works executed by the contractors. The review of the related documents on the mitigation works, revealed adoption of cost sharing mechanism based on the approval accorded by TCC. The amounts computed by the TCC against various contractors amounted to Nu.1.270 million which was yet to be realised as on the date of the audit. The decision of TCC on cost sharing mechanism was based on the following aspects:

- Inexperience of the contractors in the execution of project of such magnitude; and
- Incapability in execution of items of work of the project, which were mostly new to the site engineers.

In the cost sharing mechanism adopted, the cost to be borne by the contractors worked out to Nu. 1.270 million by restricting the total rectification cost to Nu.4.051 million as against the actual cost of Nu.10.004 million incurred by the project during the fiscal year 2006-07. Further, the expected expenditure of Nu.2.000 million on mitigation works in the fiscal year 2007-08 was not on record. It was also noted that under the cost sharing mechanism adopted, the cost to the contractors should have worked out to 1.390 million instead of 1.270 million.

The rationality of cost sharing percentage of 40% and 30% adopted by the TCC was not justifiable since the defects in the execution were directly attributable to the laxity of the contractors. Thus the decision adopted by the TCC on the cost sharing mechanism was not only injudicious but extended undue favour to the contractors at the cost of the government. The Department had not taken any action.

#### **4.9 Outstanding Advances – Nu.8.899 million**

- a) The Department of Urban Development & Engineering Services had advances of Nu.2.106 million lying outstanding against various officials, suppliers and contractors.
- b) The Field Division, Department of Roads, Lobesa had advances of Nu.3.852 million lying outstanding against the Central Store, Phuntsholing.
- c) The Thimphu City Corporation had advances of Nu.0.775 million lying outstanding against various suppliers and employees.
- d) The Phuntsholing City Corporation had advances of Nu.0.482 million lying outstanding against various officials and private parties.
- e) The Secretariat, Ministry of Works & Human Settlement had advances of Nu.0.810 million lying outstanding against various officials and private parties.
- f) The Department of Roads had advances of Nu.0.034 million outstanding against various officials.
- g) The Field Division, Zhemgang had advances of Nu. 0.840 million lying outstanding against various officials, contractors and other parties.



## DZONGKHAG ADMINISTRATIONS

### 6.10 Dzongkhag Administration, Bumthang

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Bumthang. There were one hundred and five observations pointed out in the reports involving Nu.187.588 million.

However, eighty six observations amounting to Nu.179.571 million were settled. The total unresolved significant irregularities amounted to Nu.5.844 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.943	1 & 2
2	Shortfalls, Lapses & Deficiencies	4.901	5
	<b>Total</b>	<b>5.844</b>	

#### 1 Fraud, Corruption and Embezzlement – Nu. 0.943 million

There were cases of indicators of fraud, corruption & embezzlement involving Nu.0.943 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
1.1	Fictitious adjustment/ payments	0.018	4.5	Subash Bishwa, Officiating FO; Bhim Raj Yogi, AFO; Sangay Wangchuk, Cultural Officer; Thinlay, JE and Pema Jungney, Dzongrab
1.2	Payments for work not executed	0.853	1.4, 1.5a&b	Gem Dorji, Officiating DE and PL Subba, Project Engineer
1.3	Shortages of materials	0.072	1.10, 1.20	Gem Dorji, Officiating District Engineer; Thinlay, Site Engineer and Karma Jamtsho, Electrician
	<b>Total</b>	<b>0.943</b>		

The cases are explained below:

##### 1.1 *Fictitious adjustment/payments - Nu.0.018 million*

The Dzongkhag had paid travelling and daily allowances of Nu.0.018 million to the folk dancers in November 2005. However, another advance of Nu.0.018 million was paid to an official for payment to the folk dancers and was accordingly adjusted in April 2006 resulting into fictitious payment of Nu.0.018

million. Although, the amount was recovered at the instance of the audit, no action had been taken for the corrupt practice.

### **1.2 Payments for works not executed - Nu.0.853 million**

- a) The Dzongkhag had paid Nu.0.149 million for works not executed on the installation works of water meters and chambers. However, an amount Nu.0.141 million was subsequently recovered leaving a balance of Nu.0.008 million. No action had been taken.
- b) While the average depth of pipe trenches actually dug for laying of pipes was 0.60m, the depth used for making payment to the contractor was 0.90m resulting into payments for works not executed amounting to Nu.0.367 million. No action had been taken.
- c) While the sand bedding layer of 0.10m for laying of pipes was not provided, the payment for the same had been released resulting into payment of Nu.0.337 million for works not executed. No action had been taken.

### **1.3 Shortages of materials – Nu.0.072 million**

- a) There were shortages of construction materials such as woollen carpets, flooring planks, plywood and panelling worth Nu.0.038 million in the construction of Gyelyum Zimchung at Kurjey. No action had been taken.
- b) A set of Mercury Vapour Lamp, 200/250V and 117 CFL lamp, 20w procured in the maintenance of Gyelyum’s Lhakhang and Zimchung at Kurjey were not available on physical verification. The cost of missing items amounted to Nu.0.034 million. No action had been taken.

## **2 Shortfalls, Lapses and Deficiencies – Nu. 4.901 million**

There were cases of shortfalls, lapses and deficiencies involving Nu.4.901 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
2.1	Excess payments to contractors/suppliers	0.050	1.8	Gem Dorji, Officiating DE and PL Subba
2.2	Non-recovery of cost of retrieved boulders	0.023	1.2	Karma Tenzin, Project Engineer; Gem Dorji, Officiating DE and Subash Bishwa, Officiating FO
2.3	Non/irregular adjustment of advances	0.252	5.2 & 1.11	Bhim Raj Yogi, Assistant FO; Subash Bishwas, DCA; Tenzin Dorji, Census Assistant; Kuenzang N. Tshering,

				Dzongdag; Sangay Wangchuk, Dzongrab; Gem Dorji, Officiating DE; Pema Lhendup, Site Engineer and Karma Thinlay, Ex-Gup
2.4	Outstanding advances	4.576	5.1	Subash Bishwa, Officiating FO and Bhim Raj Yogi, AFO (Supervisory)
	<b>Total</b>	<b>4.901</b>		

The cases are explained below:

### **2.1 Excess payment to the contractor – Nu.0.050 million**

The Dzongkhag had allowed excess payment of Nu.0.050 million in the construction of Reinforced Cement Concrete (RCC) slab over Chamkhar drainage and rehabilitation of footpath at Jakar. The excess payment had occurred due to difference in the quantity of works actually executed and the measurement recorded in the Measurement Book. No action had been taken.

### **2.2 Non-recovery of cost of retrieved stone boulders - Nu.0.023 million**

The retrieved stone boulders from the stone masonry walls of the diversion drain were found used in the construction of the cut off drains but the cost of the materials amounting to Nu.0.023 million was not realised from the contractor. No action had been taken.

### **2.3 Non/irregular adjustment of advances Nu.0.252 million**

- a) An advance of Nu.0.025 million was adjusted against the expenses incurred on account of farewell party organized for the incoming and outgoing officials of the Dzongkhag. Instead of refunding the advance on recovery of the amount from the salaries of the staff, an adjustment details was submitted. Further, an expenditure of Nu.0.010 million was stated to have been incurred on providing of food to Indian labourers engaged for Dzongsel woola while there were no documents substantiating the employment of Indian labourers for the said work. No action had been taken.
- b) The Dzongkhag had released an advance of Nu.0.450 million to Karma Thinlay, ex-Gup, Tang for renovation of Kunzangdrak Lhakhang against which an expenditure of Nu. 0.233 million was found incurred. The balance amount of Nu.0.217 million was neither refunded nor adjustment details submitted to the Dzongkhag. No action had been taken.

### **2.4 Outstanding advances - Nu. 4.576 million**

The Dzongkhag had advances of Nu.4.576 million lying outstanding against various suppliers, contractors and employees.

## 6.11 Dzongkhag Administration, Chukha

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Chukha. There were eight observations pointed out in the report involving Nu.10.225 million.

However, one observation amounting to Nu.2.364 million was partially settled. The total unresolved significant irregularities amounted to Nu.7.730 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.384	1 & 2
2	Mismanagement	0.082	3
3	Shortfalls, Lapses & Deficiencies	7.264	5
	<b>Total</b>	<b>7.730</b>	

### 1 Fraud, Corruption and Embezzlement – Nu. 0.384 million

There were cases of indicators of fraud, corruption & embezzlement involving Nu.0.384 million as summarised hereunder:

#### 1.1 *Fictitious payments/ expenditure – Nu.0.384 million (Para 1.1 & 1.2)*

- a) In the construction of the model dairy, poultry and piggery sheds, the labourers, suppliers and transporters were shown to have been paid more than what was actually received by them. This had resulted in fictitious payments of Nu 0.028 million claimed through false bills. Although, the amount was deposited into ARA, no action had been taken for the fictitious payments.

#### ***Who is accountable?***

*Pema Dorji, DLO*

- b) The Phuentsholing Higher Secondary School had withdrawn a total of Nu. 0.356 million on account of wages for the night guard. However, the said night guard appeared to have left the service three years earlier while the payments continued to be recorded, which was illegitimate. No action had been taken.

#### ***Who are accountable?***

*Naina Kala Gurung, Principal and Karma Dhendup, DEO*

## 2 Mismanagement – Nu. 0.082 million

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There were cases of mismanagement involving Nu.0.082 million as explained hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
2.1	Non collection of house rents	0.082	6.4	Tshewang Tashi, Revenue Assistant and Karma Dukpa, Dungpa
2.2	Unauthorised occupation of Government cottages	-	8.1	Karma Dukpa, Dungpa
	<b>Total</b>	<b>0.082</b>		

The cases are explained below:

### **2.1 Non collection of house rents - Nu.0.082 million**

The Dungkha Administration, Phuentsholing had not collected rents aggregating to Nu.0.082 million from the occupants of Government Round Building and other government flats. The case had been referred to the Royal Court of Justice, Phuentsholing.

### **2.2 Unauthorised occupation of Government cottages**

The erstwhile PWD cottage, the present PWD cottage, the erstwhile Guest House of MTI, and the erstwhile Guest House of Department of Forest in Phuentsholing were being occupied by private personnel. The Administration had stated that it has intimated the occupants to surrender the houses.

## 3 Shortfalls, Lapses and Deficiencies – Nu. 7.264 million

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There were cases of shortfalls, lapses & deficiencies involving Nu. 7.264 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
3.1	Undue delay in settlement of claims	0.123	3.3	Rinchen Namgyal, Dzongkhag Health Officer
3.2	Outstanding advances	7.141	4.1	
3.3	Non-registration of lands	-	8.2	Dungkala, Land Record Officer
	<b>Total</b>	<b>7.264</b>		

The cases are explained below:

### **3.1 Undue delay in settlement of claims - Nu. 0.123 million**

As per the verdict no. 4948 dated 28/8/2003 of the Royal Court of Justice, Chukha Sonam Tenzin, contractor was to refund the amount of Nu.0.123 million within 25/8/2004. In case of failure to deposit the amount on the stipulated date, the defaulter would be penalized as per the penal code of the Kingdom of Bhutan. Notwithstanding the above verdict, the contractor had not deposited the amount of Nu.0.123 million. The Administration had stated that it is in the process of tracing out the incumbent for appropriate actions.

### **3.2 Outstanding Advances - Nu. 7.141 million**

The Dzongkhag had advances of Nu 7.141 million lying outstanding against various officials, suppliers and contractors.

### **3.3 Non registration of land - 246.30 acres**

The Dzongkhag during the year had acquired a total of 246.30 acres of government/private land for the construction of various government infrastructures. However, the land acquired was not registered in the name of the concerned sectors. The Administration had stated that it is in the process of registering the properties.

## **6.12 Dzongkhag Administration, Dagana**

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Dagana. There were fifty eight observations pointed out in the report involving

Nu.2.356 million. However, forty eight observations amounting to Nu.1.515 million were settled. The total unresolved significant irregularities amounted to Nu.0.755 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.148	1 & 2
2	Shortfalls, Lapses & Deficiencies	0.607	5
	<b>Total</b>	<b>0.755</b>	

### **1 Fraud, Corruption and Embezzlement – Nu. 0.148 million**

There was one case indicating fraud, corruption and embezzlement involving Nu.0.148 million as explained hereunder:

### **1.1 Payment for goods not received - Nu.0.148 million (Para 1)**

The Dzongkhag had paid a sum of Nu.0.148 million to M/s Chamling Enterprise, Thimphu towards the cost of testing tools not received by the Dzongkhag. No action had been taken.

#### **Who are accountable?**

*Tashi Gyeltshen, Adm. Officer and Shyam Kr. Ghalley, Store In-charge*

## **2 Shortfalls, Lapses and Deficiencies – Nu. 0.607 million**

There were cases of shortfalls, lapses & deficiencies involving Nu.0.607 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
2.1	Excess payments to contractors	0.143	22.1, 25.1	Namgang Tshering, DE.; Karma Choida, Site Engineer and Tandin Wangdi, AE.
2.2	Non-adjustment of advances	0.249	27.1	Tshechu, FO and Bidhya Nepal, Accountant
2.3	Outstanding advances	0.215	11	Tashi Gyeltshen, Admn. Officer (Supervisory)
	<b>Total</b>	<b>0.607</b>		

The cases are explained below:

### **2.1 Excess payments to contractors – Nu.0.143 million**

- a) The Dzongkhag had made excess payments of Nu.0.079 million in the construction of approach road to Daga BHU Gr-I. No action had been taken.
- b) In the construction of Dzongkhag Yargay Tshogchung Hall at Dagana, the contractor was paid Nu. 0.044 million for providing & laying of 2<sup>nd</sup> class brick work in superstructure above plinth level up to floor 2 level in Cement Mortar 1:4 as against the payable amount of Nu.0.001 million. Further, the total amount payable to the contractor was Nu. 3.679 million as against the actual payment of Nu. 3.700 million resulting into excess payments of Nu.0.064 million. No action had been taken.

### **2.2 Non-adjustment of advances – Nu.0.249 million**

In the construction of Library Block at Daga Middle Secondary School, the contractor, M/s. T. T. Construction, Thimphu had availed a total advance of Nu.1.234 million against which total adjustment of Nu.0.985 million was made at



the end of the contract leaving a balance of Nu.0.249 million unadjusted. No action had been taken.

### **2.3 Outstanding advances - Nu.0.215 million**

The Dzongkhag had advances of Nu.0.215 million lying outstanding against various individuals, contractors and parties.

## **6.13 Dzongkhag Administration, Gasa**

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Gasa. There were sixteen observations pointed out in the report involving Nu.2.871

million. However, thirteen observations amounting to Nu.2.685 million were settled. The total unresolved significant irregularities amounted to Nu.0.133 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Shortfalls, Lapses & Deficiencies	0.133	5
	<b>Total</b>	<b>0.133</b>	

### **1 Shortfalls, Lapses and Deficiencies – Nu. 0.133 million**

There was one case falling under shortfalls, lapses and deficiencies involving Nu.0.133 million as explained hereunder:

#### **1.1 Excess payments to contractor – Nu.0.133 million (Para 1.1b)**

The Dzongkhag had admitted excess payments of Nu. 0.133 million to the contractor in the electrification of the Dzongdag’s residence, Staff Quarters, Guest House, Royal Guest House at Tsachu, Public Guest House and Caretaker’s residence at Tsachu. No action had been taken.

#### **Who are accountable?**

*Krishna Prasad Khatiwara, JE; Samser Rai, DE and Wangchuk Dorji, DEO, then Offtg. Dzongdag*

## 6.14 Dzongkhag Administration, Haa

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Haa. There were two observations pointed out in the report involving Nu.0.305 million.

However, one observation amounting to Nu.0.102 million was settled. The total unresolved significant irregularities amounted to Nu.0.198 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.198	1 & 2
	<b>Total</b>	<b>0.198</b>	

### 1 Fraud, Corruption and Embezzlement – Nu. 0.198 million

There was one case indicating fraud, corruption and embezzlement involving Nu.0.198 million as explained hereunder:

#### 1.1 *Misuse of Rural Life Insurance Scheme - Nu.0.198 million (Para 1.1)*

The Dzongkhag during the year 2005 & 2006 had collected Rural Life Insurance premium aggregating to Nu.0.459 million from the public of five Gewogs. The Administration had deposited Nu.0.261 million into the RGR Account and the balance amount of Nu. 0.198 million was misused by the dealing official. The 24% penal interest as on the date of audit had accumulated to Nu.0.072 million. Subsequently, the amount of Nu.0.198 million had been accounted and the accumulated penal interest deposited into ARA. The Dzongkhag had taken administrative action only against the official responsible for the misuse.

#### *Who are accountable?*

*Kinzang Tharchen, Revenue Incharge and Pemba Wangchuk, Dzongdag*

## 6.15 Dzongkhag Administration, Lhuentse

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Lhuentse. There were seventeen observations pointed out in the report involving Nu.2.214 million. However, thirteen observations amounting to Nu.1.398

million were settled or partially settled. The total unresolved significant irregularities amounted to Nu.0.816 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.109	1 & 2
2	Mismanagement	0.091	4
3	Shortfalls, Lapses & deficiencies	0.616	5
	<b>Total</b>	<b>0.816</b>	

## 1 Fraud, Corruption and Embezzlement – Nu. 0.109 million

There was one case indicating fraud, corruption and embezzlement involving Nu.0.109 million as explained hereunder:

### 1.1 *Manipulation in deposits of monthly salaries of employees - Nu.0.109 million (Para 1.1)*

The Dzongkhag Accountant, Sherub Gyeltshen had embezzled a sum of Nu.0.109 million through manipulations of monthly pay bills. However, Nu.0.076 million was later deposited into ARA leaving a balance of Nu. 0.033 million. The case had been forwarded to the Royal Court of Justice, Lhuentse, the verdict of which is awaited.

#### **Who are accountable?**

*Sherab Gyeltshen, Accountant; Tashi Jamtsho, FO and Tshewang Norbu, Dzongdag*

## 2 Mismanagement – Nu. 0.091 million

There was one case of mismanagement involving Nu.0.091 million as explained hereunder:

### 2.1 *Short accountal of revenue - Nu.0.091 million (Para 1.3)*

A total revenue collection of Nu.0.773 million was made from the Public on account of cost of excess lands. However, the Dzongkhag Revenue Section had accounted Nu.0.528 million only resulting into short accountal of Nu. 0.245 million. Subsequently, an amount of Nu.0.154 million was deposited into ARA leaving a balance of Nu.0.091 million. The Dzongkhag is in the process of recovering the balance amount.

#### **Who are accountable?**

*Rinzin Dorji, LRO; Phub Thinley, LRO and Rinzin Wangdi, Asstt. Revenue Officer*

### 3 Shortfalls, Lapses and Deficiencies – Nu. 0.616 million

There was one case falling under shortfalls, lapses and deficiencies involving Nu.0.616 million as explained hereunder:

#### 3.1 Outstanding advances - Nu. 0.616 million (Para 4.1)

The Dzongkhag had advances of Nu.0.616 million lying outstanding against various individuals, contractors and parties.

##### **Who are accountable?**

*Phuntsho Wangdi, AFO; Tashi Jamtsho, FO and Tshewang Norbu, Dzongdag (Supervisory)*

### 6.16 Dzongkhag Administration, Mongar

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Mongar. There were thirty four observations pointed out in the report involving

Nu.11.305 million. However, twenty five observations amounting to Nu.6.486 million were settled. The total unresolved significant irregularities amounted to Nu.4.815 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.081	1 & 2
2	Violation of Laws and Rules	0.293	4
3	Shortfall, Lapses & Deficiencies	4.441	5
	<b>Total</b>	<b>4.815</b>	

### 1 Fraud, Corruption and Embezzlement – Nu.0.081 million

There were cases of indicators of fraud, corruption & embezzlement involving Nu.0.081 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
1.1	Intentional irregular payment of personal emolument	0.056	3.3	Lobzang Tenzin, AHRO; Chencho Pem, Accountant and Loknath Dahal, FO
1.2	Shortages of materials	0.025	1.3	Chador Phuntsho, AE and Kinley, Store In-charge
	<b>Total</b>	<b>0.081</b>		

The cases are explained below:

### **1.1 Intentional irregular payment of personal emolument - Nu.0.056 million**

The Dzongkhag had made payment of Nu.0.056 million on account of personal emolument to four of its employees who had already resigned from the services. Subsequently, an amount of Nu.0.006 million was deposited into ARA leaving a balance of Nu.0.050 million. No action had been taken against the officials responsible for the corrupt practice.

### **1.2 Shortages of materials - Nu.0.025 million**

Sixty pieces of 8 feet long CGI sheet of TATA make at the rate of Nu. 422.33 per piece amounting to Nu.0.025 million were found missing during physical verification. No action had been taken.

## **2 Violation of Laws and Rules – Nu.0.293 million**

There were cases of violation of laws and rules involving Nu.0.293 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
2.1	Muster roll wages paid without acknowledgement	0.023	3.1	Kezang Tshering, JE; Tappo, Dzongrab and Loknath Dahal, FO
2.2	Un-authorized procurement of vehicle	0.270	4.4	Karma Tenzin, Principal and Lhab Dorji, Dzongdag
	<b>Total</b>	<b>0.293</b>		

The cases are explained below:

### **2.1 Muster roll wages paid without acknowledgement - Nu. 0.023 million**

The Muster Roll payment of Nu.0.023 million was incurred for the renovation of Dzong dochay. However, the acknowledgements of the labourers through thumb impressions, signatures or receipts were not obtained to authenticate the payments made. No action had been taken.

### **2.2 Un-authorized procurement of vehicle - Nu.0.270 million**

Gyelposhing Higher Secondary School had collected Nu.0.534 million on account of the sale of sand to the contractor during the financial year 2005-2006. Out of the amount collected, Nu.0.270 million was spent on purchase of a Maruti Van without the approval of the competent authority and in contravention to the directives of the Ministry of Finance. No action had been taken.

### 3 Shortfalls, Lapses and Deficiencies – Nu. 4.441 million

There were cases of shortfalls, lapses & deficiencies involving Nu.4.441 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
3.1	Over/excess payments	0.035	2.7	Tandin Dorji, Sr. DAO
3.2	Double payments	0.028	2.4	Chencho Pem, Accountant
3.3	In-admissible/ irregular payments	0.052	3.2	
3.4	Outstanding advances	4.326	6.1	Lok Nath Dahal, FO and Tappo, Dzongrab
	<b>Total</b>	<b>4.441</b>		

The cases are explained below:

#### **3.1 Over/excess payment - Nu.0.035 million**

A two-storied Bhutanese type building was hired for Renewable Natural Resource Centre, Chaskhar at the rate of Nu. 3,500.00 per month. However, the approximate carpet area of the whole building was 1167 square feet and the monthly rent payable at the rate of 2.00 per square feet amounted to Nu. 2,334.00 per month. This had resulted into over payment of Nu. 0.014 million. Further, the ground floor of the hired building was occupied by the house owner while monthly rent was being paid by the Government. This has resulted into additional excess payment of Nu.0.021 million. No action had been taken.

#### **3.2 Double payments of personal emolument, allowances and bills - Nu.0.028 million**

The Dzongkhag had paid a sum of Nu. 0.028 million twice on account of personal emolument, Leave Travel Concession, leave encashment and supplier's bills. No action had been taken.

#### **3.3 In-admissible/irregular payments – Nu.0.052 million**

The Dzongkhag had paid Nu. 0.052 million on account of subsistence allowance and mileage claims to the officials who were present in the office as evident from the daily attendance register. No action had been taken.

#### **3.4 Outstanding advances Nu. 4.326 million**

The Dzongkhag had advances of Nu. 4.326 million lying outstanding on account of personal advances, Public Works advances - employees, suppliers and contractors' advances.

## 6.17 Dzongkhag Administration, Paro

During the period, the Royal Audit Authority had issued two audit reports of the Dzongkhag Administration, Paro. There were thirteen observations pointed out in the reports involving Nu.4.447

million. However, five observations amounting to Nu.2.170 million were settled. The total unresolved significant irregularities amounted to Nu.2.277 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.376	1 & 2
2	Shortfall, Lapses & Deficiencies	1.901	5
	<b>Total</b>	<b>2.277</b>	

### 1 Fraud, Corruption and Embezzlement – Nu.0.376 million

There were cases of indicators of fraud, corruption & embezzlement involving Nu.0.376 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
1.1	Payments for works not executed	0.164	1.1, 1.2	Tshering Younten, Former Municipal Engineer and Kinzang, DE for Nu.0.080 million Nado Regay, Municipal Engineer and Kinzang, DE for Nu.0.084 million
1.2	Payments for items provided other than specified	0.212	5.1, 5.2	Kinzang, DE and Nado Regay, Municipal Engineer
1.3	Acceptance of defective works in construction	-	7.1, 7.2	Kinzang, DE and Nado Regay, Municipal Engineer
	<b>Total</b>	<b>0.376</b>		

The cases are explained below:

#### 1.1 *Payments for works not executed – Nu.0.164 million*

- a) In the Street widening of Paro Town, the Dzongkhag had made payments of Nu. 0.080 million for providing and laying 500x300x150mm pre-cast concrete block (kerb). However, the work was found not executed on site inspection. No action had been taken.
- b) In the Urban Development of Paro Town, Nu.0.084 million was paid for works not executed as observed through cross verification of contractor's bill with that of actual construction at site. No action had been taken.

## 1.2 *Payments for items provided other than specified – Nu.0.212 million*

- a) In the Urban Development of Paro Town, over payments of Nu.0.111 million were observed in the construction of Town Plaza and Connector road (Phase II). The over payments had occurred due to substitution of Coursed Rubble Masonry (CRM) with Random Rubble Masonry (RRM) and the masonry in retaining walls were of RRM instead of CRM as per specifications. No action had been taken.
- b) Similarly, over payments of Nu.0.101 million were observed in the construction of Secondary Road (Phase III). The over payment had occurred due to substitution of Coursed Rubble Masonry with Random Rubble Masonry. No action had been taken.

## 1.3 *Acceptance of defective works in construction*

In the Urban Development of Paro Town, the Project Authority had accepted the following defective works:

In the construction of Town Plaza, By Pass and Connector Road:

- the 'V' drain at the Geptay road and the Taju road had not met specific requirements like depth and slope specified in the drawings;
- the by pass road starting from the Taju road had developed potholes; and
- the compound lighting of the Town Plaza was not functioning.

In the construction of Secondary Road:

- the diversion roads were found totally worn out and the front road showed depression at many places; and
- the width of the drain in few places measured only 120mm (*longitudinal laying of one brick*). Such construction would not resist even very light loads. No action had been taken.

## 2 **Shortfalls, Lapses and Deficiencies – Nu.1.901 million**

There were cases of shortfalls, lapses & deficiencies involving Nu.1.901 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
2.1	Over payments to contractors	1.346	3.1, 3.2, 3.3, 3.4	Tshering Younten, Former Municipal Engineer and Kinzang, DE for Nu.0.267 million Nado Regay, Municipal Engineer and Kinzang, DE for the balance amount
2.2	Inadmissible payments to contractors / employees	0.383	4.1	Tshering Younten, Former Municipal Engineer and Kinzang, DE



2.3	Non availability of materials & Dismantled Account Register	0.172	6	Tshering Younten, Former Municipal Engineer and Kinzang, DE
	<b>Total</b>	<b>1.901</b>		

The cases are explained below:

### **2.1 Over/excess payments to contractors - Nu.1.346 million**

- a) In the Street widening of Paro Town, over payments of Nu.0.267 million were observed on cross verification of measurements recorded in the contractor's bill with that of actual construction at site. No action had been taken.
- b) In the Urban Development of Paro Town, over payments of Nu.0.416 million were observed on the water pump up-gradation works. No action had been taken.
- c) In the Urban Development of Paro Town, over payments of Nu.0.338 million were observed in construction of Town Plaza, Connector Road, By Pass Road, Vegetable Market Shed, Public Toilet, Water Distribution System and Street Lighting of Paro Town (Phase II). No action had been taken.
- d) In the Urban Development of Paro Town, over payments of Nu.0.325 million were observed in construction of Secondary Road, Water Distribution System and Street Lighting. No action had been taken.

### **2.2 In-admissible payments to contractors/employees - Nu.0.383 million**

In the Street widening of Paro Town, the Project Management had made inadmissible payments of Nu.0.383 million. No action had been taken.

### **2.3 Non availability of materials - Nu.0.172 million**

In the Street widening of Paro Town, the contractor had been paid Nu.0.172 million for dismantling of 720.83 m<sup>3</sup> of stone masonry. However, the site engineer neither had maintained the Dismantled Account Register nor were the boulders available for physical verification. No action had been taken.

## 6.18 Dzongkhag Administration, Pemagatshel

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Pemagatshel. There were eight observations pointed out in the report involving

Nu.5.843 million. However, five observations amounting to Nu.5.734 million were settled. The total unresolved significant irregularities amounted to Nu.0.109 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Shortfall, Lapses & Deficiencies	0.109	5
	<b>Total</b>	<b>0.109</b>	

### 1 Shortfalls, Lapses and Deficiencies – Nu.0.109 million

There were cases of shortfalls, lapses & deficiencies involving Nu.0.109 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
1.1	Double payments	0.053	3.1, 3.3	Sonam Gyeltshen, HRO; Tenzin Jamtsho, FO and Kinga Dorji, Accountant
1.2	Excess payments to contractors	0.025	4.1	Kiba Wangchuk, JE and Tshering Nidup, DE
1.3	Outstanding advances	0.031	2.1	Jamba Tsheten, Dzongrab (Supervisory)
	<b>Total</b>	<b>0.109</b>		

The cases are explained below:

#### 1.1 Double payments– Nu.0.053 million

- a) The Dzongkhag had made double payments of Nu. 0.031 million to an official on account of travelling and daily allowances for attending HRO's induction training programme at Royal Institute of Management, Simtokha. No action had been taken.
- b) The Dzongkhag had made double payment of Nu.0.022 million on account of leave encashment to Elementary Service Personnel (ESP) during the financial year 2005-2006. No action had been taken.

### **1.2 Excess payments to the contractor – Nu.0.025 million**

The Dzongkhag had allowed an excess payment of Nu.0.025 million in the construction of additional six classrooms at Nangkor Higher Secondary School. No action had been taken.

### **1.3 Outstanding advances – Nu.0.031 million**

The Dzongkhag had advances of Nu.0.031 million lying outstanding against various officials and contractors.

## **6.19 Dzongkhag Administration, Samdrupjongkhar**

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Samdrup Jongkhar. There were twenty two observations pointed out in the report involving Nu.44.527 million. However,

twenty observations amounting to Nu.40.619 million were settled. The total unresolved significant irregularities amounted to Nu.2.016 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.064	1 & 2
2	Shortfalls, Lapses & Deficiencies	1.952	5
	<b>Total</b>	<b>2.016</b>	

### **1 Fraud, Corruption and Embezzlement – Nu.0.064 million**

There was one case indicating fraud, corruption and embezzlement involving Nu.0.064 million as explained hereunder:

#### **1.1 Intentional double claim of travelling and daily allowances - Nu.0.064 million (Para 3)**

The officials who attended the training at Vector-Borne Diseases Control Programme, Gelephu, were paid travelling and daily allowances by the organisation. However, the officials had also claimed travelling and daily allowances from the Dzongkhag amounting to Nu.0.064 million resulting into double claims. Although, the amount had been deposited into ARA, no action was taken against the officials responsible for the fraudulent practice.

### Who is accountable?

Kezang Lhamo, AFO (Supervisory)

## 2 Shortfalls, Lapses and Deficiencies – Nu.1.952 million

There was one case falling under shortfalls, lapses and deficiencies involving Nu.1.952 million as explained hereunder:

### 2.1 Outstanding advances Nu. 1.952 million (Para 21)

The Dzongkhag had advances of Nu 1.952 million lying outstanding against various suppliers, contractors and Government departments.

### Who are accountable?

Kezang Lhamo, AFO; Thinley, DE and Sangay Dorji, Dzongda (Supervisory)

## 6.20 Dzongkhag Administration, Samtse

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Samtse. There were seven observations pointed out in the report involving Nu.13.237 million. However, observations

amounting to Nu.7.589 million were settled. The total unresolved significant irregularities including the paras reflected under the Review Report of the Resettlement Programme amounted to Nu. 3.816 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	2.529	1 & 2
2	Violation of Laws & Rules	0.112	4
3	Shortfall, Lapses & Deficiencies	1.175	5
	<b>Total</b>	<b>3.816</b>	

## 1 Fraud, Corruption and Embezzlement – Nu.2.529 million

There were cases of indicators of fraud, corruption & embezzlement involving Nu.2.529 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
1.1	Misappropriation	1.608	1.1.1; 4.4	Dago Tshering, LRO; Chimi Dorji, Accountant and T.B Subba, Sr. Surveyor; K.S Tamang,

				Surveyor; BB Mongar, Surveyor, Naiten Dorji, Adm. Officer (retired) and Tashi Gyeltshen, Dzongdag
1.2	Misuse of resettlement programme fund	0.538	3.2.1; 3.2.2; 3.2.3	Sangay Wangdi, former SFO, MoHCA Naiten Dorji, former Adm. Officer, Samtse T.B.Subba, Surveyor, B.B.Mongar, Surveyor, K.S.Tamang and Sangay Wangdi, former SFO, MoHCA
1.3	Fictitious payments	0.127	5.1.1	Loday Gyeltshen, DLO and Tashi Gyeltshen, Dzongdag
1.4	Tampering of records	0.256	2.1.2; 2.1.3, i; 4.1.2	Namgay Tshering, JE; Damchoe, JE; Tshering Wangdi, Accountant; Chhimi Dorji, Accountant and Pasang Dorji, DE
	<b>Total</b>	<b>2.529</b>		

The cases are explained below:

### **1.1 Misappropriation - Nu. 1.608 million**

- a) The Dzongkhag had cases of misappropriation and fictitious payments aggregating to Nu.1.448 million under the Resettlement Project. The misappropriations were carried out through engagement of fictitious workers, non-execution of works and manipulation of records. No action had been taken.
- b) During the year 2002 & 2003, four houses were burnt down in Pugli and Tading Gewogs and fire insurance claims aggregating to Nu.0.160 million were received from the Royal Insurance Corporation of Bhutan. The insurance money was reportedly withdrawn and used by the then Administrative Officer, Naiten Dorji (retired) instead of disbursing it to the beneficiaries. No action had been taken.

### **1.2 Misuse of resettlement programme funds – Nu.0.538 million**

The Royal Audit Authority had reported misuse of resettlement programme funds of Nu.0.538 million vide RAA(AG-SP)2007/3593 dated 08/08/2007. The misuse was carried out through non accountal of refunds and non accountal of advances. Despite the seriousness of the cases, the Dzongkhag had not taken any action against the misuse of resettlement funds.

### 1.3 Fictitious payment - Nu.0.127 million

The Dzongkhag Livestock Sector had fraudulently fabricated the expenditure of Nu.0.127 million during the Mass Awareness Campaign on the marketing facilitation and organic local product; farmers groups and its importance; focus household approach; farmer's responsibilities towards Gewog notified diseases control committee and cattle exchange/reducing unproductive cattle program in four Gewogs during the month of November 2005. Although the amount was later deposited into ARA, no actions had been taken on the fraudulent practice.

### 1.4 Tampering of records - Nu.0.256 million

- a) The completion report and handing/taking note on the construction of Head teacher's Quarter at Gomtu Middle Secondary School was tampered to evade the levy of liquidated damages of Nu. 0.030 million. However, on the instance of the audit, the amount was deposited into ARA but no actions had been taken on the fraudulent practice.
- b) In the construction of Aqua Privy Toilet at Denchukha Primary School, the measurements recorded earlier were later inflated to apparently cover up the differences between actual amount admissible and the amount paid to the contractor. The re-verification of the measurements had revealed over payment of Nu. 0.144 million. Although, the amount was later deposited into ARA, no actions had been taken on the fraudulent practice.
- c) There were cases of manipulation of attendance register by overwriting and using correcting fluid to make it "T" (for tour) in order to fabricate the fraudulent travel claims amounting to Nu.0.082 million. Although an amount of Nu.0.062 million had been recovered leaving a balance of Nu.0.020 million, no action had been taken on the fraudulent practice.

## 2 Violation of Laws and Rules – Nu.0.112 million

There were cases of violation of laws and rules involving Nu.0.112 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
2.1	Payments without verifying rates & records	0.069	3.1.4; 4.1.1	Sonam Tobgyal, Store Incharge; Karchung Dukpa, Adm. Officer; Sacha Gyeltshen, Cultural Officer and Tashi Gyeltshen, Dzongdag
2.2	Non-levy of liquidated damages	0.043	3.1.5	Sonam Tobgye, Store Officer; Karma Dhendup, DEO and Sonam Phuntsho, AFO
	<b>Total</b>	<b>0.112</b>		

The cases are explained below:

### **2.1 Payments without verifying rates and records - Nu.0.069 million**

- a) The Dzongkhag had numerous instances where the rates applied for making payment of supplies were not in accordance with the tendered rates resulting into over payments of Nu.0.043 million. No action had been taken.
- b) The Dzongkhag had entertained travel claims of Nu.0.026 million to officials who did not perform any tour as evident from the Attendance Register. No action had been taken.

### **2.2 Non-levy of liquidated damages -Nu.0.043 million**

The Dzongkhag had failed to invoke relevant penalty clauses for delay in the delivery of supplies, resulting into non-levy of liquidated damages aggregating to Nu. 0.095 million. However, an amount of Nu.0.052 million was later deposited into ARA leaving a balance of Nu.0.043 million. No action had been taken.

## **3 Shortfalls, Lapses and Deficiencies – Nu.1.175 million**

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There were cases of shortfalls, lapses & deficiencies involving Nu. 1.175 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
3.1	Outstanding advances	1.175	4.2	Choda, JE and Tashi Gyeltshen, Dzongdag (Supervisory)
3.2	Non-registration of land & building	-	7.1	Yeshe Dorji, Dzongrab and Tashi Gyeltshen, Dzongdag
	<b>Total</b>	<b>1.175</b>		

The cases are explained below:

### **3.1 Outstanding advances - Nu. 1.175 million**

The Dzongkhag had advances and municipal taxes of Nu.1.175 million lying outstanding against various officials, suppliers and agencies.

### **3.2 Non-registration of land & building**

Against the total land holding of 46.79 acres under municipal area in Samtse Dzongkhag, none of the land, building and other structures had been registered in the name of the Dzongkhag. Despite the repeated reminders of the Department of National Properties, the Dzongkhag had not furnished the details of movable and immovable assets. No action had been taken.

## 6.21 Dzongkhag Administration, Sarpang

During the period, the Royal Audit Authority had issued two audit reports of the Dzongkhag Administration, Sarpang. There were sixty two observations pointed out in the reports involving Nu.80.326 million. However, fifty two observations

amounting to Nu.75.950 million were settled. The total unresolved significant irregularities including the paras reflected under the Review Report of the Resettlement Programme amounted to Nu. 3.453 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	1.174	1 & 2
2	Violation of Laws & Rules	0.783	4
3	Shortfalls, Lapses & Deficiencies	1.496	5
	<b>Total</b>	<b>3.453</b>	

### 1 Fraud, Corruption and Embezzlement – Nu.1.174 million

There were cases of indicators of fraud, corruption & embezzlement involving Nu.1.174 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
1.1	Misuse of resettlement programme fund	1.102	3.1	Dorji Dukpa, former Dzongdag, Pema Wangchuk, Sr. Adm. Officer, Phuntsho Wangdi, AFO, Sangay Wangdi, Chief Accountant and Tshering Dorji, PA
1.2	Misappropriation	0.017	1.5	Gem Tshering, DzFo and Sangay Thinley, Dzongdag
1.3	Fictitious adjustment of advances	0.055	1.3	Sonam Tshering, MTO and Sangay Thinley, Dzongdag
	<b>Total</b>	<b>1.174</b>		

The cases are explained below:



### **1.1 Misuse of resettlement programme funds – Nu.1.102 million**

The Royal Audit Authority had reported misuse of resettlement programme funds of Nu.1.102 million vide RAA(AG-SP)2007/3593 dated 08/08/2007. The misuse was carried out through non accountal of cash, cash shortages, non settlement of advances and payment without supporting documents. Despite the seriousness of the cases, the Dzongkhag had not taken any action against the misuse of resettlement funds.

### **1.2 Misappropriation - Nu.0.017 million**

The Dzongkhag had entertained fictitious adjustment of Nu.0.017 million on account of purchase and transportation of seedlings for Plantation on the Social Forestry Day. Although the amount was later deposited into ARA, no actions were taken against the responsible officials.

### **1.3 Fictitious adjustment of advances - Nu.0.055 million**

The adjustment details of Nu. 0.055 million from Agriculture Machinery Centre, Paro was used to settle two different advances of Nu. 0.055 million each resulting into illegal adjustment of Nu. 0.055 million. No action had been taken.

## **2 Violation of Laws and Rules – Nu.0.783 million**

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There were cases of violations of laws and rules involving Nu.0.783 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
2.1	Execution of substandard works	0.783	2.1	Yeshe Dorji, JE and Passang Dorji, DE
2.2	Submission of delayed and partial service drawings	-	2.3	Passang Dorji, DE; Sonam Dawa, Dzongdag and Dorji Dukpa, Dzongdag
	<b>Total</b>	<b>0.783</b>		

The cases are explained below:

### **2.1 Execution of substandard works – Nu.0.783 million**

The RNR (Renewable Natural Resources) stone masonry building constructed at Umling incurring an expenditure of Nu. 0.783 million was used only for a period of five years and thereafter had remained unserviceable indicating execution of substandard work. No action had been taken.

## 2.2 *Submission of delayed and partial service drawings*

According to the Terms of Reference, the consultant for the Construction of Jigmecholing Dratshang was to incorporate in the design, site development facilities such as Entrance Gates, Parking area, outdoor lighting, courtyards, pathways, passages including appropriate safety system of fire fighting, security alarm, grills, water supply, compound fencing, retaining walls, etc in line with traditional Bhutanese Architecture and functionality. The consultancy fee of 6.5% of the estimated project cost was computed considering all these aspects. However, none of the aforementioned features were incorporated in the final drawings and yet, the Dzongkhag had accepted it without verifying its completeness. No action had been taken.

## 3 Shortfalls, Lapses and Deficiencies – Nu.1.496 million

There were cases of shortfalls, lapses & deficiencies involving Nu.1.496 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
3.1	Over/excess payments to contractors	0.027	2.2.1	Pema Wangchen, JE and Passang Dorji, DE
3.2	Double adjustment and non-booking of advances	0.392	1.1	Phuntsho Wangdi, AFO; Sangay Wangdi, Accountant; Sonam Dawa, Dzongdag and Dorji Dukpa, Dzongdag
3.3	Non recovery of inadmissible payment of consultancy fees	0.552	2.1	Sonam Dawa, Dzongdag; Dorji Dukpa, Dzongdag; Passang Dorji, DE; Chogyal Dago Rinzin, Dungpa and Phuntsho Wangdi, AFO
3.4	Outstanding advances	0.525	3.2.1	Pema Tenzin, FO and Sangay Thinley, Dzongdag (Supervisory)
	<b>Total</b>	<b>1.496</b>		

The cases are explained below:

### 3.1 *Over/excess payments to contractors – Nu.0.027 million*

The Dzongkhag had allowed an excess payment of Nu. 0.027 million in the construction of six classroom block at Gelephu Higher Secondary School. No action had been taken.

### 3.2 *Double adjustment and non-booking of advances – Nu.0.392 million*

In the construction of Jigmecholing Dratshang, the Dzongkhag had adjusted advances of Nu.0.192 million twice against the Dungkhag Administration,

Gelephu. Further, the Dzongkhag had released an advance of Nu. 0.200 million in favour of Dungpa, Gelephu without booking it in the sub ledger. This had resulted into double adjustment and non-booking of advances of Nu.0.392 million. No action had been taken.

### **3.3 Non recovery of inadmissible payment of consultancy fees - Nu.0.552 million**

In the construction of Jigmecholing Dratshang, the Dzongkhag had paid full consultancy fees, although one full time project engineer and one project architect was not provided as against the condition 2.3, Article 2 of the Terms of Reference. The site was instead supervised by the government engineers resulting into estimated inadmissible payment of Nu.0.552 million. No action had been taken.

### **3.4 Outstanding advances - Nu.0.525 million**

The Dzongkhag had advances of Nu.1.857 lying outstanding against various officials, contractors and suppliers. However, advances amounting Nu.1.332 million were resolved leaving a balance of Nu.0.525 million.

## **6.22 Dzongkhag Administration, Thimphu**

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Thimphu. There were nine observations pointed out in the report involving Nu.1.355 million.

However, five observations amounting to Nu.1.258 million were settled. The total unresolved significant irregularities amounted to Nu. 0.097 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.097	1 & 2
	<b>Total</b>	<b>0.097</b>	

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

There were cases of indicators of fraud, corruption & embezzlement involving Nu.0.097 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
1.1	Misuse of funds	0.052	1.1; 1.2	Pema Tshering, Principal; Kesang Norbu, Principal and Sonam Tshering, DEO

1.2	Payment of travel claims for tours not performed	0.045	2.2	Ugen Tshering Dukpa, FO (Supervisory)
	<b>Total</b>	<b>0.097</b>		

The cases are explained below:

### **1.1 Misuse of funds – Nu. 0.052 million**

- a) The Physical verification of cash balances in Thinleygang Middle Secondary School and Changzamtok Middle Secondary School revealed cash shortages of Nu.0.010 million and Nu.0.008 million respectively. However, the amount of Nu.0.008 million pertaining to Changzamtok Middle Secondary School was later recovered but no action had been taken.
- b) In Thinleygang Middle Secondary School, the boarding and token fees of Nu.0.034 million collected during the academic year 2005 & 2006 were not accounted. However, the amount was later recovered and deposited into ARA but no action had been taken.

### **1.2 Payment of travel claims for tours not performed – Nu.0.045 million**

The Dzongkhag had paid travelling and daily allowances amounting to Nu. 0.045 million for tours not performed as evident from the Daily Attendance Registers. However, the amount had been later deposited into ARA but no actions had been taken against the defaulting officials.

## **6.23 Dzongkhag Administration, Trashigang**

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Trashigang. There were twenty four observations pointed out in the report

involving Nu.2.154 million. However, twenty three observations amounting to Nu.1.996 million were settled. The significant irregularities amounted to Nu.0.110 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Shortfall, Lapses & Deficiencies	0.110	5
	<b>Total</b>	<b>0.110</b>	

### **1 Shortfalls, Lapses and Deficiencies – Nu.0.110 million**

There was one case falling under shortfalls, lapses and deficiencies involving Nu.0.110 million as explained hereunder:

### 1.1 Outstanding advance - Nu.0.110 million (Para 8)

The Dzongkhag had advance of Nu.0.157 million lying outstanding against various officials and suppliers out of which Nu.0.047 million was adjusted leaving a balance of Nu.0.110 million.

#### **Who is Accountable?**

*Tashi Wangyel, Finance Officer (Supervisory)*

## 6.24 Dzongkhag Administration, Trashiyangtse

During the period, the Royal Audit Authority had issued two audit reports of the Dzongkhag Administration, Trashiyangtse. There were fourteen observations pointed out in the reports involving Nu.4.406 million. However,

seven observations amounting to Nu.2.762 million were settled or partially settled. The total unresolved significant irregularities amounted to Nu. 1.479 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.993	1 & 2
2	Shortfall, Lapses & Deficiencies	0.486	5
	<b>Total</b>	<b>1.479</b>	

### 1 Fraud, Corruption and Embezzlement – Nu.0.993 million

There was one case indicating fraud, corruption and embezzlement involving Nu.0.993 million as explained hereunder:

#### 1.1 Embezzlement of revenue- Nu.0.993 million (Para 1a &1b)

- a) A sum of Nu.0.889 million collected on the account of cost of excess land were misused by the officials dealing with Municipal Taxes. Although, the amount later was deposited into ARA, no action had been taken on the fraudulent practice.

#### **Who are accountable?**

*Tshewang Tenzin, Engineer; Dorji Wangchuk, Building Inspector and Dorji Norbu, Dzongdag*

- b) The proceeds of Nu.0.024 million collected from the sale of 32 dustbins received from the erstwhile Department of Urban Development and Housing, Thimphu were found misappropriated by the officials of the Dzongkhag. Further, the remaining 118 dustbins valuing Nu.0.080 million

were not available in stock. Although, the amount had been later deposited into ARA, no action had been taken on the fraudulent practice.

**Who are accountable?**

*Tshewang Tenzin, Engineer; Dorji Wangchuk, Building Inspector; Kinley, Store officer and Dorji Norbu, Dzongdag*

## 2 Shortfalls, Lapses and Deficiencies – Nu.0.486 million

There were cases of shortfalls, lapses & deficiencies involving Nu. 0.486 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
2.1	Over/excess payments to contractors	0.124	1.3, 1.6	Tshering Wangchuk, JE; Sonam Dorji, Site Engineer and Sonam Tshering, DE
2.2	Over/excess payments to suppliers	0.027	2.1	Namgyel Dorjee, AAO and Choeda Jamtsho, Dzongrab
2.3	Over/excess payments to employees	0.022	4	Namgyel Dorjee, AAO and Choeda Jamtsho, Dzongrab
2.4	Inadmissible payments	0.073	6	Namgyel Dorjee, AAO and Choeda Jamtsho, Dzongrab
2.5	Outstanding advances	0.240	8	Munish Sharma, FO (Supervisory)
	<b>Total</b>	<b>0.486</b>		

The cases are explained below:

### 2.1 *Over/excess payments to contractors – Nu.0.124 million*

- a) In the Construction of Reinforced Cement Concrete (RCC) Bridge, Footpath, Retaining Wall, Gabion Wall, Steps and Earthwork excavation at Gomkora parking, the Dzongkhag had made over payments of Nu. 0.081 million. No action had been taken.
- b) In the construction of Girls' toilet at Bumdeling Lower Secondary School, the Dzongkhag had made over payments of Nu.0.043 million. No action had been taken.

### 2.2 *Over/excess payments to Suppliers – Nu.0.027 million*

The Dzongkhag had made over payments of Nu.0.027 million to suppliers by way of making payments at rates higher than the quoted rates. No action had been taken.

### 2.3 Over/excess payments to employees – Nu.0.022 million

The Dzongkhag had made excess payment of Nu.0.022 million to officials on account of carriage charges of personnel effects. No action had been taken.

### 2.4 Inadmissible payments - Nu.0.073 million

The Dzongkhag had made inadmissible payments of travelling and daily allowances of Nu. 0.073 million. The allowances were found paid over and above their entitlements. No action had been taken.

### 2.5 Outstanding advances Nu.0.240 million

The Dzongkhag had advances of Nu.0.240 million lying outstanding against various individuals.

## 6.25 Dzongkhag Administration, Trongsa

During the period, the Royal Audit Authority had issued two audit reports of the Dzongkhag Administration, Trongsa. There were thirty two observations pointed out in the reports involving

Nu.15.747 million. However, twenty six observations amounting to Nu.4.822 million were settled. The total unresolved significant irregularities amounted to Nu.4.200 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.249	1 & 2
2	Shortfall, Lapses & deficiencies	3.951	5
	<b>Total</b>	<b>4.200</b>	

### 1 Fraud, Corruption and Embezzlement – Nu.0.249 million

There were cases of indicators of fraud, corruption and embezzlement involving Nu. 0.249 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
1.1	Fictitious payments & claims	0.032	1.1a, 1.1b	Dorji Gyeltshen, DLO and Nado, Dzongrab
1.2	Shortages of equipment	0.217	3	Tshering Namgay, Project Manager and Lhab Dorji, Dzongda
	<b>Total</b>	<b>0.249</b>		

The cases are explained below:

### **1.1 Fictitious payments & claims – Nu.0.032 million**

- a) The Dzongkhag while conducting training on Dzongkha Language course had made fictitious payments of Nu. 0.018 million. Further a sum of Nu.0.006 million was shown as expenditure incurred on stationeries to the farmers attending Exposition 2005 at Zhemgang. However, the amount of Nu.0.018 million was later deposited into ARA and administrative actions were taken against the official responsible for the fictitious payments.
- b) During the implementing of rabies control campaign, the Dzongkhag had made fictitious payment of Nu.0.008 million. The amount was however deposited into ARA and administrative actions were taken against the officials responsible for the fictitious payment.

### **1.2 Shortages of equipment – Nu.0.217 million**

The Dzongkhag had reimbursed an amount of Nu.0.217 million to a consultant under Ta-Dzong Renovation Project being the cost of LCD screen, Hard disk, Apple computer and Computer care purchased by him. However, the equipment was not available for physical verification. No action had been taken.

## **2 Shortfalls, Lapses and Deficiencies – Nu.3.951 million**

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There was one case falling under shortfalls, lapses and deficiencies involving Nu.3.951 million as explained hereunder:

### **2.1 Outstanding advances – Nu.3.951 million (Para 7)**

The Ta-Dzong Renovation Project had advances of Nu. 5.750 million lying outstanding against various individuals. However, Nu.1.799 million was later adjusted leaving a balance of Nu.3.951 million.

#### **Who are accountable?**

*Lungten Dorji, Project Director and Tshering Namgay, Project Manager (Supervisory)*



## 6.26 Dzongkhag Administration, Wangduephodrang

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Wangduephodrang. There were thirty four observations pointed out in the report involving Nu.1.294 million. However,

thirty one observations amounting to Nu.1.000 million were settled. The total unresolved significant irregularities amounted to Nu.0.292 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Violation of Laws & Rules	0.292	4
	<b>Total</b>	<b>0.292</b>	

### 1 Violation of Laws and Rules – Nu.0.292 million

There was one case of violation of laws and rules involving Nu.0.292 million as explained hereunder:

#### 1.1 *Payment made without verifying the materials received -Nu.0.292 million (Para 3.1.1)*

The Dzongkhag had made a payment of Nu. 3.410 million to the Education Central Stores, Phuentsholing for supply of School textbooks, office stationeries and sports goods. However, some of the schools had partially received the goods while some of the schools had not received the goods at all. The value of goods not received aggregated to Nu. 0.292 million. However, in response to the circulation of the draft audit report, the Dzongkhag had stated that the lapses occurred partly due to non-updating of the stocks registers. The response also indicated that it has now updated the stock registers and had even received some of the books.

#### **Who are accountable?**

*Namgay Tshering, DEO and Sangay Wangchuk, Dzongrab*

## 6.27 Dzongkhag Administration, Zhemgang

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Zhemgang. There were forty four observations pointed out in the report involving Nu.25.571 million. However,

thirty five observations amounting to Nu.23.548 million were settled or partially settled. The total unresolved significant irregularities amounted to Nu.2.019 million as summarised below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.028	1 & 2
2	Mismanagement	0.213	3
3	Shortfall, Lapses & Deficiencies	1.778	5
	<b>Total</b>	<b>2.019</b>	

### 1 Fraud, Corruption and Embezzlement – Nu.0.028 million

There were cases of indicators of fraud, corruption and embezzlement involving Nu.0.028 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
1.1	Manipulation of records	0.012	1.1	Tshering Dorji, Adm. Assistant
1.2	Fictitious payment	0.016	1.3	Dorji Dukpa, DHO
	<b>Total</b>	<b>0.028</b>		

The cases are explained below:

#### 1.1 *Manipulation of records and excess claim of Daily Allowances - Nu.0.012 million*

Tshering Dorji, Adm. Assistant was paid Nu.0.013 million on account of Daily Allowances for attending 6<sup>th</sup> Annual Conference of Dzongkha Development Authority at Phuentsholing. The conference was scheduled for 3 days while the official had manipulated the office order and had claimed allowances for 13 days at the rate of Nu. 1,000.00 per day amounting to Nu.0.013 million. Further, the payment of Daily Allowances at the rate of Nu.1,000.00 per day was not applicable for the conferences held within the country. This had resulted into manipulation of records and intentional excess claim of Nu.0.012 million. However, the amount was later deposited into ARA and administrative actions were initiated against the defaulters.

## **1.2 Fictitious payment – Nu.0.016 million**

During the Measles/Rubella Campaign 2006, the Dzongkhag had allowed fictitious payment of Nu.0.016 million through inclusion of false participants and non-payments. However, the amount was later deposited into ARA and administrative actions were taken against the defaulters.

## **2 Mismanagement – Nu. 0.213 million**

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There was one case of mismanagement involving Nu.0.213 million as explained hereunder:

### **2.1 Non realization of water meter installation charges - Nu.0.213 million (Para 6.1)**

The Dzongkhag had not realized the cost of water meter charges amounting to Nu.0.213 million from the users and the building owners. No action had been taken.

#### **Who are accountable?**

*Budiman Pradhan and Kunzang N. Tshering, Dzongda*

## **3 Shortfalls, Lapses and Deficiencies – Nu.1.778 million**

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There were cases of shortfalls, lapses & deficiencies involving Nu.1.778 million as summarised hereunder:

Sl. No.	Observations in brief	Nu. in million	Para No.	Who are accountable?
3.1	Non-deduction of 7% voids	0.039	5.10.1	B.B. Mongar, PE
3.2	Outstanding advances	1.739	3.1	Jigme Namgyal, FO (Supervisory)
	<b>Total</b>	<b>1.778</b>		

### **3.1 Non-deduction of 7.5% voids - Nu.0.039 million**

In the construction of Internal Road and Internal Water Distribution System, the Dzongkhag had not deducted 7% voids amounting to Nu. 0.039 million from the item “*Supplying/collection & stacking stone aggregate of 63-40mm*” as required. No action had been taken.

### ***3.2 Outstanding advances -Nu. 1.739 million***

The Dzongkhag had advances of Nu.1.739 lying outstanding against various individuals, contractors and suppliers. Further, the amount of advances reflected against the employees/parties/contractors between the Memorandum Registers and the Schedule of Public Works Advances (FAM 9.8) reported in the June Final Accounts were in disagreement.

## GEWOG ADMINISTRATIONS

### 6.28 Gewogs under Bumthang Dzongkhag

#### Choekhor Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Choekhor. There were five observations pointed out in the report involving Nu.0.501 million

of which four observations were settled. The unresolved significant irregularities amounted to Nu.0.501 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Shortfalls, Lapses and Deficiencies	0.501	5
	<b>Total</b>	<b>0.501</b>	

#### 1 Shortfalls, Lapses and Deficiencies – Nu.0.501 million

There was one case falling under shortfalls, lapses & deficiencies involving Nu.0.501 million as summarised hereunder:

##### 1.1 Outstanding advances – Nu.0.501 million (Para 5)

The Gewog Administration had advance of Nu. 0.501 million lying outstanding against Karma Namgyel, Gup.

##### *Who are accountable?*

*Karma Namgyel, former Gup and Subha Bishwa, Finance Officer*

### 6.29 Gewogs under Chukha Dzongkhag

#### Bjabcho Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Bjabcho. There were two observations pointed out in the report involving Nu.0.032 million.

However, one observation amounting to Nu.0.019 million was settled. The unresolved significant irregularities amounted to Nu.0.013 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.013	1 & 2
	<b>Total</b>		

## 1 Fraud, Corruption and Embezzlement – Nu.0.013 million

There was one case indicating fraud, corruption & embezzlement involving Nu.0.013 million as summarised hereunder:

### 1.1 Shortage of CGI Sheets – Nu. 0.013 million (Para 1.2)

There was shortage of CGI sheets worth Nu. 0.013 million in the construction of Mebisa Community Primary School as noted during the physical verification. No action had been taken.

#### Who is accountable?

*Dorji Peljor, Gup*

## Bongo Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Bongo. There were two observations pointed out in the report involving Nu.0.032 million.

However, one observation amounting to Nu.0.005 million was settled. The unresolved significant irregularities amounted to Nu.0.027 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Mismanagement	0.027	4
	<b>Total</b>	<b>0.027</b>	

## 1 Mismanagement – Nu. 0.027 million

There was one case of mismanagement involving Nu. 0.027 million as summarised hereunder:

### 1.1 Non-collection of rural taxes – Nu.0.027 million (Para 2.1)

The Gewog Administration had not collected rural taxes of Nu. 0.027 million for the Tax Year 2006. No action had been taken.

#### Who are accountable?

*Draklay Gyeltshen, Gup and Pema Wangdi, Dzongrab*

## Chapcha Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Chapcha. There were three observations pointed out in the report involving Nu.0.071 million.

However, one observation amounting to Nu.0.026 million was settled. The total unresolved significant irregularities amounted to Nu.0.045 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.025	1 & 2
2	Shortfalls, Lapses & Deficiencies	0.020	5
	<b>Total</b>	<b>0.045</b>	

### 1 Fraud, Corruption & Embezzlement – Nu.0.025 million

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There was one case indicating Fraud, Corruption & Embezzlement involving Nu.0.025 million as summarised hereunder:

#### 1.1 *Payments for works not executed as per specification – Nu. 0.025 million (Para 1.1)*

The Administration had paid Nu.0.025 million for works not executed as per specification in the construction of classroom blocks at Chapcha Community Primary School. It was found that braced and battened shutters were provided instead of paneled door and window shutters. Further, half lapping of the longitudinal joints, side dressing of the ceiling planks and eave boards were not carried out. No action had been taken.

#### **Who are accountable?**

*Cheki Wangmo, JE and J.N. Pradhan, DE*

### 2 Shortfalls, Lapses and Deficiencies – Nu.0.020 million

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There was one case falling under shortfalls, lapses & deficiencies involving Nu.0.020 million as summarised hereunder:

#### 2.1 *Non-adjustment of advances – Nu. 0.020 million (Para 3.1)*

During the financial year 2004-05, Phub Dawa, former Gup was paid advance of Nu.0.020 million for renovation of Paga Community School. However, the adjustment bills were not submitted.

### Who is accountable?

Pema Wangdi, Dzongrab (Supervisory)

## Darla Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Darla. There were three observations pointed out in the report involving Nu.0.158 million.

However, one observation amounting to Nu.0.016 million was settled. The total unresolved significant irregularities amounted to Nu.0.088 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.016	1 & 2
2	Mismanagement	0.072	3
	<b>Total</b>	<b>0.088</b>	

## 1 Fraud, Corruption & Embezzlement – Nu. 0.016 million

There was one case indicating Fraud, Corruption & Embezzlement involving Nu.0.016 million as summarised hereunder:

### 1.1 Fictitious muster roll payment - Nu.0.016 million (Para 1.2)

In the construction of Rural Water Supply Scheme at Kezare, muster roll payments aggregating to Nu.0.016 million were found made to skilled labourers. However, the said work was done by the trainees during the Ferro Cement Construction Training at Kezari conducted by Public Health Engineering Services, Ministry of Health. As such, the payments to the skilled labourers were fictitious. No action had been taken.

### Who are accountable?

Wangchuk, Gup and Pema Wangdi, Dzongrab

## 2 Mismanagement – Nu. 0.072 million

There was one case of mismanagement involving Nu. 0.072 million as summarised hereunder:

### 2.1 Non-collection of rural taxes - Nu.0.072 million (Para 2.1)

The Gewog Administration had not collected rural taxes amounting to Nu. 0.072 million. No action had been taken.



### Who are accountable?

Wangchuk, Gup and Pema Wangdi, Dzongrab

## Dungna Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Dungna. There was one observation pointed out in the report. The unresolved significant irregularities amounted to Nu.0.033 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1.	Fraud, Corruption & Embezzlement	0.033	1 & 2
	<b>Total</b>	<b>0.033</b>	

### 1 Fraud, Corruption & Embezzlement – Nu.0.033 million

There was one case indicating fraud, corruption & embezzlement involving Nu.0.033 million as summarised hereunder:

#### 1.1 Fictitious muster roll payment - Nu.0.033 million (Para 1.1)

Muster roll payments aggregating to Nu.0.033 million were found made to skilled labourers on the Construction of Rural Water Supply Scheme at Dungna and Mondokha. However, during the site visit, it was found that both the works were not executed. The Administration stated that the fictitious muster roll was prepared to avoid the lapse of fund at the close of the fiscal year. No action had been taken.

### Who are accountable?

Tshering Norbu, Work Assistant; Sonam Chopel, Work Assistant and J.N. Pradhan, DE

## Lokchina Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Lokchina. There were four observations pointed out in the report involving Nu.0.151 million. The total unresolved significant irregularities amounted to Nu.0.151 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.115	1 & 2
2	Mismanagement	0.036	3
	<b>Total</b>	<b>0.151</b>	

## 1 Fraud, Corruption & Embezzlement – Nu.0.115 million

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There were cases of indicators of fraud, corruption & embezzlement involving Nu.0.115 million as summarised hereunder:

Sl. No.	Observations in brief	Amount	Para No.	Who are accountable?
1.1	Fictitious muster roll payment	0.028	1.1.1; 1.2.1;	Tshering Norbu, Work Assistant & J.N. Pradhan, DE
1.2	Shortages of materials	0.087	1.2.2	
	<b>Total</b>	<b>0.115</b>		

The cases are explained below:

### 1.1 *Fictitious muster roll payments – Nu.0.028 million*

- a) Muster roll payments aggregating to Nu.0.016 million were found made to skilled labourers on the Construction of Rural Water Supply Scheme at Dubeni. However, during the site visit, it was found that the work was not executed. The Administration stated that the fictitious muster roll was prepared to avoid the lapse of fund at the close of the fiscal year. No action had been taken.
- b) Though the muster roll payments aggregating to Nu.0.012 million were found paid for the construction of Rural Water Supply Scheme at Chimuna, the actual work had just started at the time of the audit.

### 1.2 *Shortage of material - Nu. 0.087 million*

Materials valuing Nu.0.050 million were found short at the construction site of Rural Water Supply Scheme at Chimuna. Further, out of 533 bags of cement issued, 185 bags were found missing and 208 bags lying at Tsamkuna were spoiled. The value of missing and set cement aggregated to Nu.0.037 million. No action had been taken.

## 2 Mismanagement – Nu. 0.036 million

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There was one case of mismanagement involving Nu. 0.036 million as summarised hereunder:

### 2.1 *Non-collection of rural taxes - Nu.0.036 million (Para 2.1)*

The Gewog Administration had not collected rural taxes amounting to Nu. 0.036 million. No action had been taken.

**Who are accountable?**

*Indra Ghalley, Gup and Pema Wangdi, Dzongrab*

## Sampheling Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Sampheling. There were five observations pointed out in the report involving Nu.0.123 million. The total unresolved significant irregularities amounted to Nu.0.114 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.024	1 & 2
2	Mismanagement	0.053	3
3	Shortfalls, Lapses & Deficiencies	0.037	5
	<b>Total</b>	<b>0.114</b>	

### 1 Fraud, Corruption & Embezzlement – Nu.0.024 million

There was one case indicating fraud, corruption & embezzlement involving Nu.0.024 million as summarised hereunder:

#### 1.1 *Acceptance of defective work – Nu.0.024 million (Para 1.1.4)*

Defective works involving a sum of Nu.0.024 million were accepted by the Administration in the construction of the Gup's office. No action had been taken.

**Who are accountable?**

*Tshering Norbu, Work Assistant and J.N. Pradhan, DE*

### 2 Mismanagement – Nu. 0.053 million

There was one case of mismanagement involving Nu.0.053 million as summarised hereunder:

#### 2.1 *Non-collection of rural taxes - Nu.0.053 million (Para 2.1)*

The Gewog Administration had not collected rural taxes amounting to Nu.0.053 million for the year 2006. No action had been taken.

**Who are accountable?**

*Mani Kumar Rai, Gup and Pema Wangdi, Dzongrab*

### 3 Shortfalls, Lapses and Deficiencies – Nu.0.037 million

There was one case falling under shortfalls, lapses and deficiencies involving Nu.0.037 million as summarised hereunder:

#### 3.1 Overpayment in construction – Nu. 0.037 million (Para 1.1.2)

The Administration had made overpayment of Nu.0.037 million in the construction of Gup's Office. No action had been taken.

##### **Who are accountable?**

*Rinchen Tshering, SE and J.N. Pradhan, DE*

## 6.30 Gewogs under Paro Dzongkhag

### Doteng Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Doteng. There were two observations pointed out in the

report involving Nu.0.105 million. The total unresolved significant irregularities amounted to Nu.0.095 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.095	1 & 2
	<b>Total</b>	<b>0.095</b>	

### 1 Fraud, Corruption & Embezzlement – Nu.0.095 million

There were cases of indicators of fraud, corruption & embezzlement involving Nu.0.095 million as summarised hereunder:

Sl. No.	Observations in brief	Amount	Para No.	Who are accountable?
1.1	Intentional excess payment to contractor	0.046	1.1	Gup Tandin Penjor; Tshomo, JE; Kinzang, DE and Cheni Zangmo, EE
1.2	Shortages of materials	0.049	1.2	
	<b>Total</b>	<b>0.095</b>		

The cases are explained below:

### **1.1 Intentional excess payment to contractor – Nu.0.046 million**

The Administration had made excess payment of Nu. 0.046 million on the construction of farm road at Chelug. No action had been taken.

### **1.2 Shortage of materials - Nu.0.049 million**

Materials valuing Nu.0.049 million were found short in the construction of Lhakhang karmo and Mendegang Bridge. No action had been taken.

## **Tsentog Gewog**

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Tsentog. There were three observations pointed out in the report involving Nu.0.102 million.

However, two observations amounting to Nu.0.043 million were settled. The unresolved significant irregularities amounted to Nu.0.059 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.059	1 & 2
	<b>Total</b>	<b>0.059</b>	

## **1 Fraud, Corruption & Embezzlement – Nu.0.059 million**

There was one case indicating fraud, corruption & embezzlement involving Nu.0.059 million as summarised hereunder:

### **1.1 Payment for works not executed – Nu. 0.059 million (Para 1.1)**

The Administration had paid Nu.0.059 million for works not executed on the construction of Rural Water Supply Scheme and mule track. No action had been taken.

#### **Who are accountable?**

*Dargo Gyeltshen, Gup; Tula Maya Adikari, Assistant Engineer; Kinzang, DE and Cheni Zangmo, EE*

## 6.31 Gewogs under Pemagatshel Dzongkhag

### Khar Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Khar. There were six observations pointed out in the report involving Nu.0.189 million.

However, four observations amounting to Nu.0.067 million were settled. The unresolved significant irregularities amounted to Nu.0.046 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Shortfalls, Lapses & Deficiencies	0.046	5
	<b>Total</b>	<b>0.046</b>	

### 1 Shortfalls, Lapses and Deficiencies – Nu.0.046 million

There was one case falling under shortfalls, lapses & deficiencies involving Nu.0.046 million as summarised hereunder:

#### 1.1 *Excess payment to contractor – Nu. 0.046 million (Para 1.2)*

The Administration had made excess payment of Nu. 0.046 million in the construction of Gup's office. No action had been taken.

#### **Who are accountable?**

*Kiba Wangchuk, Asst. Engineer and Lungten Thinley, Engineer*

### Zobel Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Zobel. There were six observations pointed out in the

report involving Nu.0.842 million. The unresolved significant irregularities amounted to Nu.0.068 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Shortfalls, Lapses & Deficiencies	0.068	5
	<b>Total</b>	<b>0.068</b>	

## 1 Shortfalls, Lapses and Deficiencies – Nu.0.068 million

There was one case falling under shortfalls, lapses & deficiencies involving Nu.0.068 million as summarised hereunder:

### 1.1 Outstanding advances – Nu. 0.068 million (Para 1.2)

The Administration had advances of Nu. 0.068 million lying outstanding against Dorji Wangdi, Gup.

#### Who are accountable?

*Dorji Jamtsho, Accountant and Tenzin Jamtsho, Accounts Officer*

## 6.32 Gewogs under Samtse Dzongkhag

### Bara Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Bara. There were four observations pointed out in the

report involving Nu.1.226 million. The total unresolved significant irregularities amounted to Nu.0.201 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.201	1 & 2
	<b>Total</b>	<b>0.201</b>	

## 1 Fraud, Corruption & Embezzlement – Nu.0.201 million

There were cases of indicators of fraud, corruption and embezzlement amounting to Nu.0.201 million as summarised hereunder:

Sl. No.	Observations in brief	Amount	Para No.	Who are accountable?
1.1	Misuse of rural taxes	0.031	1.2	Rinchen Dorji, Gup
1.2	Misappropriation of funds	0.170	1.3	
	<b>Total</b>	<b>0.201</b>		

The cases are explained hereunder:

### **1.1 Misuse of rural taxes – Nu. 0.031 million**

The Administration had misused rural taxes of Nu. 0.031 million. Although, the amount had been later deposited into Gewog Current Deposit Account at the instance of audit, no actions had been taken for the misuse.

### **1.2 Misappropriation of funds – Nu.0.170 million**

The Administration had misused Nu. 0.170 million in the renovation of Khopi Irrigation Channel. Although, an amount of Nu.0.122 million had been later deposited into ARA at the instance of audit, no actions had been taken for the misuse.

## **Chengmari Gewog**

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Chengmari. There were two observations pointed out

in the report involving Nu.0.134 million. The total unresolved significant irregularities amounted to Nu.0.134 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	<b>0.134</b>	1 & 2
	<b>Total</b>	<b>0.134</b>	

## **1 Fraud, Corruption & Embezzlement – Nu.0.134 million**

There were cases of indicators of fraud, corruption and embezzlement amounting to Nu. 0.134 million as summarised hereunder:

Sl. No.	Observations in brief	Amount	Para No.	Who are accountable?
1.1	Payments for works not executed	0.047	1.1	GS Khatiwara, JE and Passang Dorji, DE
1.2	Misuse of funds	0.087	1.2	Mina Thapa, Gup
	<b>Total</b>	<b>0.134</b>		

### **1.1 Payments for work not executed – Nu.0.047 million**

The Administration had made payments of Nu.0.047 million for works not executed on the construction of Dina-Dipujora farm road. No action had been taken.



## 1.2 *Non-accountal of funds – Nu.0.087 million*

The Administration had not accounted cash balance of Nu.0.087 million in the Current Deposit Account. No action had been taken.

## Dumtoe Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Dumtoe. There were four observations pointed out in the report involving Nu.0.052 million. The unresolved significant irregularities amounted to Nu.0.016 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.016	1 & 2
	<b>Total</b>	<b>0.016</b>	

## 1 Fraud, Corruption & Embezzlement – Nu.0.016 million

There was one case indicating fraud, corruption & embezzlement involving Nu.0.016 million as summarised hereunder:

### 1.1 *Misuse of cash – Nu.0.016 million (Para 1.3)*

The Administration had misused cash balance of Nu.0.016 million from the Gewog Current Deposit Account. However, on the instance of the audit, the administration had intimated on the deposit of the misused amount into the Gewog Current Deposit Account but no action had been taken.

#### **Who is accountable?**

*Dan Bdr Limbu, Gup*

## 6.33 Gewogs under Sarpang Dzongkhag

### Dekiling Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Dekiling. There were eight observations pointed out in the report involving Nu.0.121 million. However, seven observations amounting to Nu.0.095 million was settled. The unresolved significant irregularities amounted to Nu.0.026 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Mismanagement	0.026	3
	<b>Total</b>	<b>0.026</b>	

## 1 Mismanagement – Nu. 0.026 million

There was one case of mismanagement involving Nu. 0.026 million as summarised hereunder:

### 1.1 *Non-collection of rural life insurance and house taxes - Nu.0.026 million (Para 6)*

The Administration had not collected rural life insurance and rural taxes amounting to Nu. 0.026 million. No action had been taken.

#### **Who is accountable?**

*Sonam Yangchen, Gup*

## Hilley Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Hilley. There were ten observations pointed out in the report involving Nu.0.198 million.

However, five observations amounting to Nu.0.044 million were settled. The total unresolved significant irregularities amounted to Nu.0.154 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.154	1 & 2
	<b>Total</b>	<b>0.154</b>	

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

There were cases of indicators of fraud, corruption and embezzlement amounting to Nu. 0.154 million as summarised hereunder:

Sl. No.	Observations in brief	Amount	Para No.	Who are accountable?
1.1	Embezzlement of cement	0.082	1.1	Pema Wangchen, Carpenter HB Panda, Gup and Sangay Dorji, DE
1.2	Non accountal of wire mesh	0.072	1.2	
	<b>Total</b>	<b>0.154</b>		

The cases are explained below:

### **1.1 *Embezzlement of cement – Nu.0.082 million***

The Administration had procured 800 bags of cement for construction of Gurung Khola irrigation channel, out of which only 400 bags of cements were delivered at the site resulting into misuse of 400 bags of cement valuing Nu. 0.082 million. However, an amount of Nu.0.062 million was later deposited into ARA leaving a balance of Nu.0.020 million. No action had been taken.

### **1.2 *Non-accountal of wire mesh – Nu.0.072 million***

The Administration had not accounted wire mesh valuing Nu.0.072 million. The materials were also not available at site. No action had been taken.

## **Umling Gewog**

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Umling. There were fifteen observations pointed out in the report involving Nu.0.213 million.

However, eleven observations amounting to Nu.0.196 million were settled. The significant irregularities amounted to Nu.0.050 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.050	1 & 2
	<b>Total</b>	<b>0.050</b>	

## **1 Fraud, Corruption & Embezzlement – Nu.0.050 million**

There was one case indicating fraud, corruption & embezzlement involving Nu.0.050 million as summarised hereunder:

### **1.1 *Misappropriation of cash – Nu.0.050 million (Para 1.1)***

Donation for construction of a crematorium amounting to Nu.0.050 million was found misappropriated. Subsequently, the amount had been recovered along with penalty of Nu.4,500.00 and the crematorium constructed. No action had been taken for the misappropriation.

#### ***Who are accountable?***

*Tshering Dorji, former Gup and Ugyen Norbu, Gup*

## Chuzagang Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Chuzagang. There were eleven observations pointed out in the report involving Nu.0.256

million. However, six observations amounting to Nu.0.115 million were settled. The total unresolved significant irregularities amounted to Nu.0.142 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.041	1 & 2
2	Mismanagement	0.101	3
	<b>Total</b>	<b>0.142</b>	

### 1 Fraud, Corruption & Embezzlement – Nu.0.041 million

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There was one case indicating fraud, corruption & embezzlement involving Nu.0.041 million as summarised hereunder:

#### 1.1 *Misuse of fund – Nu.0.041 million (Para 1.1)*

The Gewog Clerk had misused Lhothuen Tshokpa's fund of Nu. 0.041 million. No action had been taken for the misuse.

##### **Who are accountable?**

*Lekey Wangchuk, Gewog Clerk and Sangay Tshering, Gup*

### 2 Mismanagement – Nu. 0.101 million

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There were cases of mismanagement involving Nu. 0.101 million as summarised hereunder:

#### 2.1 *Mismanagement of funds – Nu.0.101 million (Para 1.2 & 1.4)*

- a) The Administration had received donations and contributions of Nu.0.056 million for construction of a crematorium. However, even after a lapse of four years, the crematorium had not been constructed. No action had been taken.

##### **Who is accountable?**

*Sangay Tshering, Gup*

- b) The Administration had awarded the operation of the ferryboats in the locality on contract for Nu.0.045 million of which only Nu.0.017 million

had been realised. Besides, the Administration had not developed any procedures on collections, accountal and usage of the fund. No action had been taken.

**Who is accountable?**

*Sangay Tshering, Gup*

## Shomphakha Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Shomphakha. There were twelve observations pointed out in the report involving Nu.0.118 million. However, four observations amounting to Nu.0.004 million were settled. The total unresolved significant irregularities amounted to Nu.0.068 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.016	1 & 2
2	Mismanagement	0.052	3
	<b>Total</b>	<b>0.068</b>	

### 1 Fraud, Corruption & Embezzlement – Nu.0.016 million

There was one case indicating fraud, corruption & embezzlement involving Nu.0.016 million as summarised hereunder:

#### 1.1 *Fictitious expenditure/submission of false bills – Nu.0.016 million (Para 3 & 4)*

The Administration had booked an expenditure of Nu. 0.016 million on Integrated Pest Management, Agronomic Packages on Wheat & Millet Cultivation and livestock training activities without conducting the training. No action had been taken.

**Who are accountable?**

*Wangmo, Agriculture Extension Officer, Tshering Dorji, Gup and Karma Sengye, Livestock Extension Officer*

### 2 Mismanagement – Nu. 0.052 million

There was one case of mismanagement involving Nu. 0.052 million as summarised hereunder:

## 2.1 *Irregular collections and non availability of records – 0.052 million (Para 1.5)*

The Administration had collected and booked an expenditure of Nu. 0.052 million as wages for caretaker of Gup's office. However, no records were made available for the expenditure. No action had been taken.

### **Who are accountable?**

*Santa Bdr, Mangmi; Sengye Dorji, former Gup and Tshering Dorji, Gup*

## **Deorali Gewog**

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Deorali. There were eight observations pointed out in the report involving Nu.0.090 million. The unresolved significant irregularities amounted to Nu.0.041 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.041	1 & 2
	<b>Total</b>	<b>0.041</b>	

## **1 Fraud, Corruption & Embezzlement – Nu.0.041 million**

There was one case indicating fraud, corruption & embezzlement involving Nu.0.041 million as summarised hereunder:

### **1.1 Fictitious expenditure – Nu.0.041 million (Para 1)**

The Administration had booked an expenditure of Nu. 0.041 million on Agriculture, Livestock & Forestry training activities which was not conducted. No action had been taken.

### **Who are accountable?**

*Mansing Ghalay, Agriculture Extension Officer; Sangay Dorji, Livestock Extension Officer; Tshering Wangmo, Agriculture Extension Officer and Pasang Sherpa, Gup*

## **Gelephu Gewog**

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Gelephu. There were six observations pointed out in the report involving Nu.0.034 million. The total unresolved significant irregularities amounted to Nu.0.025 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.025	1 & 2
	<b>Total</b>	<b>0.025</b>	

## 1 Fraud, Corruption & Embezzlement – Nu.0.025 million

There was one case indicating fraud, corruption & embezzlement involving Nu.0.025 million as summarised hereunder:

### 1.1 Fictitious expenditure – Nu.0.025 million (Para 1)

The Administration had booked an expenditure of Nu. 0.025 million on agricultural training activities which was not conducted. No action had been taken.

#### Who are accountable?

*Lungten Jamtsho, Livestock Extension Officer; Kuenzang Cheda, Agriculture Extension Officer and L.B. Thapa, Gup*

## Senghe Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Senghe. There were four observations pointed out in the report involving Nu.0.034 million.

However, three observations amounting to Nu.0.003 million were settled. The unresolved significant irregularities amounted to Nu.0.031 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Shortfalls, Lapses and Deficiencies	0.031	1 & 2
	<b>Total</b>	<b>0.031</b>	

## 1 Shortfalls, Lapses and Deficiencies – Nu.0.031 million

There was one case falling under shortfalls, lapses & deficiencies involving Nu.0.031 million as summarised hereunder:

### 1.1 Outstanding advances – Nu. 0.031 million (Para 1)

The Administration had miscellaneous advance balance of Nu.0.031 million lying outstanding against Kinga Dendup, Livestock Extension Officer and Bal Bdr. Mongar, Gup.

### Who are accountable?

Kinga Dendup, Livestock Extension Officer and Bal Bdr. Mongar, Gup

## 6.34 Gewogs under Trashigang Dzongkhag

### Phongmey Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Phongmey. There were six observations pointed out in

the report involving Nu.0.075 million. The total unresolved significant irregularities amounted to Nu.0.040 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.040	1 & 2
	<b>Total</b>	<b>0.040</b>	

### 1 Fraud, Corruption & Embezzlement – Nu.0.040 million

There was one case indicating fraud, corruption & embezzlement involving Nu.0.040 million as summarised hereunder:

#### 1.1 Non-deposit of rural taxes – Nu.0.040 million (Para 2)

The Administration had not deposited rural tax collection of Nu. 0.040 million into the Current Deposit Account of the Gewog. However, on the instance of the audit, the Administration had intimated the deposit of Nu.0.037 million leaving a balance of Nu. 0.003 million. No action had been taken.

### Who are accountable?

Pelden Dorji, Mangmi and Dorji Wangchuk, Gup

### Bidung Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Bidung. There were five observations pointed out in the

report involving Nu.0.043 million. The unresolved significant irregularities amounted to Nu.0.024 million as summarised below:



Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.024	1 & 2
	<b>Total</b>	<b>0.024</b>	

## 1 Fraud, Corruption & Embezzlement – Nu.0.024 million

There was one case indicating fraud, corruption & embezzlement involving Nu.0.024 million as summarised hereunder:

### 1.1 *Non-deposit of rural taxes – Nu.0.024 million (Para 2)*

The Administration had not deposited rural tax collection of Nu. 0.024 million into the Current Deposit Account of the Gewog. However, on the instance of the audit, the Administration had intimated the deposit of the taxes into the Current Deposit Account. No action had been taken.

#### **Who is accountable?**

*Karma, Gup*

## Samkhar Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Samkhar. There were four observations pointed out in the report involving Nu.0.026 million of which three observations remained settled. The unresolved significant irregularities amounted to Nu.0.026 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.026	1 & 2
	<b>Total</b>	<b>0.026</b>	

## 1 Fraud, Corruption & Embezzlement – Nu.0.026 million

There was one case indicating fraud, corruption & embezzlement involving Nu.0.026 million as summarised hereunder:

### 1.1 *Non-deposit of rural taxes – Nu.0.026 million (Para 2)*

The Administration had not deposited rural tax collection of Nu. 0.026 million into the Current Deposit Account of the Gewog. However, on the instance of the audit, the Administration had intimated the deposit of the taxes into the Current Deposit Account. No action had been taken.

### Who is accountable?

Sonam Dorji, Gup

## Radi Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Radi. There were five observations pointed out in the report involving Nu.0.051 million of

which three observations were settled. The total unresolved significant irregularities amounted to Nu.0.021 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.021	1 & 2
	<b>Total</b>	<b>0.021</b>	

## 1 Fraud, Corruption & Embezzlement – Nu.0.021 million

There was one case indicating fraud, corruption & embezzlement involving Nu.0.021 million as summarised hereunder:

### 1.1 Non-deposit of rural taxes – Nu.0.021 million (Para 2)

The Administration had not deposited the rural tax collection of Nu. 0.021 million into the Current Deposit Account of the Gewog. However, on the instance of the audit, the Administration had intimated the deposit of the taxes into the Current Deposit Account. No action had been taken.

### Who is accountable?

Samdrup, Gup

## 6.35 Gewogs under Trashiyangtse Dzongkhag

### Yallang Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Yallang. There were six observations pointed out in the

report involving Nu.0.104 million. The unresolved significant irregularities amounted to Nu.0.101 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.101	1 & 2
	<b>Total</b>	<b>0.101</b>	

## 1 Fraud, Corruption & Embezzlement – Nu.0.101 million

There was one case indicating fraud, corruption & embezzlement involving Nu.0.101 million as summarised hereunder:

### 1.1 *Non-execution of works as specified – Nu. 0.101 million (Para 1.1.2)*

The Administration had made overpayment of Nu.0.101 million to the contractor on the construction of Gup’s Office. The over payment had occurred due to non-execution of works as per specification and provision of items other than specified. However, on the instance of the audit, the Administration had recovered and deposited the amount into ARA but no actions had been taken against the defaulters.

#### **Who are accountable?**

*Jigme Tshering, AE and Tshewang Duba, Gup*

## 6.36 Gewogs under Trongsa Dzongkhag

### Dakten Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Dakten. There were four observations pointed out in the

report involving Nu.0.070 million. The total significant irregularities amounted to Nu.0.069 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.024	1 & 2
2	Shortfalls, Lapses & Deficiencies	0.045	5
	<b>Total</b>	<b>0.069</b>	

## 1 Fraud, Corruption & Embezzlement – Nu.0.024 million

There was one case indicating fraud, corruption & embezzlement involving Nu.0.024 million as summarised hereunder:

### 1.1 *Misuse of rural taxes – Nu. 0.024 million (Para 3)*

The Administration had misused rural taxes of Nu. 0.024 million. Although, the amount was deposited into the Gewog Current Deposit Account at the instance of the audit, no action had been taken for the misuse.

#### **Who is accountable?**

*Pema Dendup, Revenue Accountant*

## 2 Shortfalls, Lapses and Deficiencies – Nu.0.045 million

There was one case falling under shortfalls, lapses & deficiencies involving Nu.0.045 million as summarised hereunder:

### 2.1 *Non production of payment voucher – Nu.0.045 million (Para 4)*

The Administration had not produced payment vouchers for Nu. 0.045 million for audit verification. No action had been taken.

#### **Who is accountable?**

*D.B Tamang, Gewog Accountant*

## Nubi Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Nubi. There were six observations pointed out in the

report involving Nu.0.069 million. The total significant irregularities amounted to Nu.0.069 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.069	1 & 2
	<b>Total</b>	<b>0.069</b>	

## 1 Fraud, Corruption & Embezzlement – Nu.0.069 million

There were cases of indicators of fraud, corruption and embezzlement amounting to Nu.0.069 million as summarised hereunder:

Sl. No.	Observations in brief	Amount	Para No.	Who are accountable?
1.1	Misuse of revenue	0.037	6	Pema Dendup, Revenue Accountant and D.B Tamang, Gewog Accountant
1.2	Non deposit of revenue	0.032	5	
	<b>Total</b>	<b>0.069</b>		

The cases are explained below:

### **1.1 Misuse of revenue – Nu. 0.037 million**

The Administration had misused rural taxes of Nu. 0.037 million. Although, the amount was deposited into the Gewog Current Deposit Account at the instance of the audit, no action had been taken for the misuse.

### **1.2 Non-deposit of revenue – Nu.0.032 million**

The Administration had not deposited rural taxes amounting to Nu. 0.032 million for the year 2006. No action had been taken.

## **Langthel Gewog**

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Langthel. There were eight observations pointed out in the report involving Nu.0.025 million. The significant irregularities amounted to Nu.0.020 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.020	1 & 2
	<b>Total</b>	<b>0.020</b>	

## **1 Fraud, Corruption & Embezzlement – Nu.0.020 million**

There was one case indicating fraud, corruption & embezzlement involving Nu.0.020 million as summarised hereunder:

### **1.1 Misuse of revenue – Nu. 0.020 million (Para 5)**

The Administration had misused rural taxes of Nu. 0.020 million. Although, the amount was deposited into the Gewog Current Deposit Account on the instance of the audit, no action had been taken for the misuse.

#### **Who is accountable?**

*Pema Dendup, Revenue Accountant*

## Tangsibji Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Tangsibji. There were five observations pointed out

in the report involving Nu.030 million. The significant irregularities amounted to Nu.0.030 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.030	1 & 2
	<b>Total</b>	<b>0.030</b>	

### 1 Fraud, Corruption & Embezzlement – Nu.0.030 million

There was one case indicating fraud, corruption & embezzlement involving Nu.0.030 million as summarised hereunder:

#### 1.1 Misuse of revenue – Nu. 0.030 million (Para 5)

The Administration had misused rural taxes of Nu. 0.030 million. Although, the amount was deposited into the Gewog Current Deposit Account on the instance of the audit, no action had been taken for the misuse.

#### **Who is accountable?**

*Pema Dendup, Revenue Accountant*

## 6.37 Gewogs under Wangduephodrang Dzongkhag

### Khazhi Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Khazhi. There were seven observations pointed out in the report involving Nu.0.141 million.

However, two observations amounting to Nu.0.006 million were settled. The total unresolved significant irregularities amounted to Nu.0.126 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Fraud, Corruption & Embezzlement	0.102	1 & 2
2	Shortfalls, lapses and deficiencies	0.024	5
	<b>Total</b>	<b>0.126</b>	

## 1 Fraud, Corruption & Embezzlement – Nu.0.102 million

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There was one case indicating fraud, corruption & embezzlement involving Nu.0.102 million as summarised hereunder:

### 1.1 *Misuse of properties – Nu.0.102 million (Para 1.1)*

The Administration had shortages of store items valuing Nu.0.102 million as noted during the physical verification. No action had been taken.

#### **Who are accountable?**

*Sigay Dorji, former Gup and Tashi Phuntsho, Gup*

## 2 Shortfalls, Lapses and Deficiencies – Nu.0.024 million

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There was one case falling under shortfalls, lapses & deficiencies involving Nu.0.024 million as summarised hereunder:

### 2.1 *Inadmissible payment of sawing charges – Nu.0.024 million (Para 1.2)*

The Administration had entertained inadmissible payment of sawing charges amounting to Nu.0.024 million in the construction of 2 units Classroom at Kashi Community School. No action had been taken.

#### **Who are accountable?**

*Sigay Dorji, former Gup and Tashi Phuntsho, Gup*

## Daga Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Daga. There were six observations pointed out in the report involving Nu.0.136 million.

However, one observation amounting to Nu.0.010 million was settled. The unresolved significant irregularities amounted to Nu.0.087 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Violation of Laws and Rules	0.087	4
	<b>Total</b>	<b>0.087</b>	

## 1 Violation of Laws and Rules – Nu.0.087 million

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There was one case violation of laws and rules involving Nu.0.087 million as summarised hereunder:

### 1.1 *Payment without verifying the bills – Nu.0.087 million (Para 1)*

The Administration had made payment of Nu.0.087 million without verifying the bills in the construction of Out Reach Clinic at Taksha. No action had been taken.

#### **Who are accountable?**

*Dorji Gyeltshen, former Gup and Wangchuk, Gup*

## 6.38 Gewogs under Zhemgang Dzongkhag

### Nangkor Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Nangkor. There were eight observations pointed out in the report involving Nu.1.051 million. The total unresolved significant irregularities amounted to Nu.0.588 million as summarised below:

Sl. No.	Observations in brief	Amount	Category Code
1	Violation of Laws and Rules	0.067	4
2	Short falls, lapses and deficiencies	0.521	5
	<b>Total</b>	<b>0.588</b>	

## 1 Violation of Laws and Rules – Nu.0.067 million

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There was one case violation of laws and rules involving Nu.0.067 million as summarised hereunder:

### 1.1 *Non utilization of cement – Nu.0.067 million (Para 1)*

The Administration had procured 487 bags of cement valuing Nu. 0.067 million for the construction of Dunmang Community School. However, during the site visit, the cement was found lying unutilized in Praling store. No action had been taken.



### **Who are accountable?**

*Kinley Wangchuk, former Gup; Nima Norbu, Asstt. Engineer; Norbu Gyelpo, Dzongkhag Education Officer and Jigme Namgyel, Accounts Officer*

## **2 Shortfalls, Lapses and Deficiencies – Nu.0.521 million**

There were cases of shortfalls, lapses and deficiencies involving Nu.0.521 million as summarised hereunder:

Sl. No.	Observations in brief	Amount	Para No.	Who are accountable?
2.1	Excess payment of hire charges	0.021		Nidup Dorji, Works Assistant
2.2	Non implementation of planned activities	0.500	3	Rinchen Dakpa, Gup and Karma Tenzin, Works Assistant
	<b>Total</b>	<b>0.521</b>		

The cases are explained below:

### **2.1 Excess payment of hire charges – Nu.0.021 million**

The Administration had made excess payment of Nu.0.021 million due to wrong application of hire charges rate in the transportation of materials from Chukha to Zhemgang. No action had been taken.

### **2.2 Non- implementation of planned activities – Nu.0.500 million**

The Administration had not executed the construction of Farm Road from Nyakhar to Tshaidang despite sanctioning a budget of Nu. 0.500 million for the said work. No action had been taken.

## AUTONOMOUS BODIES

### 6.39 Bhutan Olympic Committee

During the period, the Royal Audit Authority had issued three audit reports of the Bhutan Olympic Committee (BOC) and its federations. There were twenty five observations pointed out in the report involving Nu. 37.615 million. However,

twenty observations amounting to Nu.37.533 million were settled. The total unresolved significant irregularities amounted to Nu.0.082 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.082	5
	<b>Total</b>	<b>0.082</b>	

#### 1 Shortfalls, Lapses and Deficiencies – Nu.0.082 million

There was one case falling under shortfalls, lapses and deficiencies involving Nu.0.082 million as explained hereunder:

##### 1.1. *Outstanding advances – Nu.0.082 million (Para 13)*

Out of the total outstanding advances of Nu.8.000 million sanctioned during the past financial years, the BOC had liquidated Nu.7.198 million leaving a balance of Nu.0.082 million.

##### *Who are accountable?*

*Dorji Tenzin, Head Coach, BAF and Sonam Wangdi, Chief Administrative Officer, MoA*

### 6.40 Office of the Attorney General

During the period, the Royal Audit Authority had issued one audit report of the Office of the Attorney General (OAG).

There was one observation pointed out in the report involving Nu.0.065 million as summarised below:

Sl.No.	Observations in brief	Nu in million	Category Code
1	Fraud, Corruption and Embezzlement	0.065	1 & 2
	<b>Total</b>	<b>0.065</b>	

## 1 Fraud, Corruption and Embezzlement – Nu.0.065 million

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There was one case indicating fraud, corruption and embezzlement involving Nu.0.065 million as explained hereunder:

### 1.1 *Misappropriation of cash – Nu.0.065 million ( Para 1.1)*

The Deputy Chief Accountant of the OAG had misappropriated a sum of Nu.0.065 million by manipulating the total cash payments. Although, the amount was deposited into ARA, no action had been taken.

#### **Who are accountable?**

*Leki Dorji, DCA and Dasho Kuenlay Tshering, Member Secretary*

## 6.41 World Exposition 2005

During the period, the Royal Audit Authority had issued one audit report of the World Exposition 2005. There were six observations pointed out in the report involving Nu. 1.431 million. However,

two observations amounting to Nu 1.880 million were settled. The total unresolved significant irregularities amounted to Nu.0.065 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Fraud, Corruption and Embezzlement	0.065	1 & 2
	<b>Total</b>	<b>0.065</b>	

## 1 Fraud, Corruption and Embezzlement – Nu.0.065 million

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There was one case indicating fraud, corruption and embezzlement involving Nu.0.065 million as explained hereunder:

### 1.1 *Non carrying forward of closing cash balance and shortages – Nu.0.065 million (Para 1.1)*

The project management had withdrawn Nu.0.200 million of which Nu.0.135 million were adjusted leaving the balance of Nu.0.065 million. The balance amount was neither carried forward nor surrendered to the Department of Public Accounts. No action had been taken.

#### **Who is accountable?**

*Phuntsho, Project Director*

## 6.42 Royal University of Bhutan

During the period, the Royal Audit Authority had issued five audit reports of the Royal University of Bhutan (RUB) and its member colleges. There were twenty observations pointed out in the report

involving Nu. 1.405 million. However, nine observations amounting to Nu. 0.387 were settled. The total unresolved significant irregularities amounted to Nu.0.201 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Fraud, Corruption and Embezzlement	0.019	1 & 2
2	Violation of Laws and Rules	0.028	4
3	Shortfalls, Lapses and Deficiencies	0.154	5
	<b>Total</b>	<b>0.201</b>	

### 1 Fraud, Corruption and Embezzlement – Nu.0.019 million

There was one case indicating fraud, corruption and embezzlement involving Nu.0.019 million as explained hereunder:

#### 1.1 *Fictitious payment of allowances – Nu.0.019 million (Para 3)*

The College of Education, Paro had made fictitious payment of travelling and daily allowances of Nu.0.019 million to non-existent associate teachers during the Associate Teachers Workshop at Paro. Out of Nu. 0.019 million, a sum of Nu. 0.018 million was recovered leaving a balance of Nu.0.001 million. No action had been taken for the fraudulent practice.

#### **Who is accountable?**

*Rinchen Gyamtsho, Lecturer*

### 2 Violation of Laws & Rules – Nu.0.028 million

There was one case falling under violation of laws and rules amounting to Nu.0.028 million as explained hereunder:

#### 2.1 *Non levy of liquidated damages – Nu.0.028 million (Para 1)*

The liquidated damages aggregating to Nu.0.030 million were not levied for delay in supply of computers, stationeries and maintenance materials for the College of the Natural Resources, Lobesa. Out of Nu.0.030 million, a sum of Nu.0.002 million only was recovered leaving a balance of Nu.0.028 million. No action had been taken.

### **Who are accountable?**

Wangmo, Sr. Accountant and Dorji Wangchuk, Director

## **3 Shortfalls, Lapses and Deficiencies – Nu.0.154 million**

There were cases of shortfalls, lapses and deficiencies involving Nu.0.154 million as summarised hereunder:

Sl. No.	Observations in brief	Nu in million	Para No.	Who are accountable?
3.1	Excess payment	0.033	2.1	Sonam
3.2	Payment made without invoices	0.075	3.1	Wangchuk Namgyel
3.3	Outstanding advances	0.046	1.1	
	<b>Total</b>	<b>0.154</b>		

The cases are explained below:

### **3.1 Excess payment to the supplier – Nu.0.033 million**

The Sherubtse College, Kanglung had made excess payment of Nu.0.033 million to M/s Bharali Brother Private Ltd, Guwahati for the purchase of sound system. No action had been taken.

### **3.2 Payment without invoices and non receipt of goods – Nu.0.075 million**

The Sherubtse College, Kanglung had booked a sum of Nu.0.054 million towards the cost of stationeries and extension kits without invoices. Further, a sum of Nu.0.021 million was paid for 3 file cabinets not received. No action had been taken.

### **3.3 Outstanding advances - Nu.0.046 million**

The Sherubtse College, Kanglung had advances of Nu.14.021 million lying outstanding against the suppliers & employees out of which Nu.13.975 million were adjusted leaving a balance of Nu. 0.046 million.

## 6.43 Centre for Bhutan Studies

During the period, the Royal Audit Authority had issued one audit report of the Centre for Bhutan Studies (CBS). There were seven observations pointed out in the report involving Nu.0.260

million of which four observations amounting to Nu. 0.079 were settled. The total unresolved significant irregularities amounted to Nu.0.037 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.037	5
	<b>Total</b>	<b>0.037</b>	

### 1 Shortfalls, Lapses and Deficiencies – Nu.0.037 million

There was one case falling under shortfalls, lapses and deficiencies involving Nu.0.037 million as explained hereunder:

#### 1.1 *Inadmissible payment of allowances – Nu. 0.037 million (Para 7)*

Two officers who attended the seminar on “Gross National Happiness – Bhutan’s Art of Living” in the Netherlands were found paid inadmissible subsistence allowances amounting to Nu. 0.037 million (*USD 920 x 40= 0.037*). No action had been taken.

#### *Who are accountable?*

*Karma Galey, Researcher and Dasho Karma Ura, Director*

## 6.44 Royal Civil Service Commission

During the period, the Royal Audit Authority had issued two audit reports of the Royal Civil Service Commission (RCSC). There were six observations pointed out in the report involving Nu

2.342 million. However, five observations amounting to Nu. 1.463 million were settled. The total unresolved significant irregularities amounted to Nu.0.074 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.074	5
	<b>Total</b>	<b>0.074</b>	

## 1 Shortfalls, Lapses and Deficiencies – Nu.0.074 million

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There was one case falling under shortfalls, lapses and deficiencies involving Nu.0.074 million as explained hereunder:

### ***1.1 Inadmissible payment of book allowance – Nu.0.074 million (USD 1,860.00) (Para 1.1)***

The RCSC had paid inadmissible book allowance aggregating to Nu. 0.276 million (USD 6,900.00 x Nu.40.00) for long term studies/training in Australia in contravention to its own circular No.RCSC/HRD/93.00)2005/54 dated 26<sup>th</sup> September. Out of Nu. 0.276 million, a sum of Nu.0.202 million was recovered leaving a balance of Nu.0.074 million.

#### ***Who are accountable?***

*Jigme Dorji, HRO*

## CORPORATIONS AND FINANCIAL INSTITUTIONS

### 6.45 Kuensel Corporation

During the period, the Royal Audit Authority had issued one audit report of Kuensel Corporation. There were six observations pointed out in the report involving Nu. 7.215 million. However,

three observations aggregating to Nu.0.829 million were settled. The total unresolved significant irregularities amounted to Nu.0.072 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.072	5
	<b>Total</b>	<b>0.072</b>	

#### 1 Shortfalls, Lapses and Deficiencies – Nu.0.072 million

There was one case falling under shortfalls, lapses and deficiencies involving Nu.0.072 million as explained hereunder:

##### 1.1 *Non collection of Earnest Money Deposit – Nu.0.072 million (Para 3)*

The Kuensel Corporation had not collected refunds of Earnest Money Deposit (EMD) aggregating to Nu.0.107 million from various Ministries and Departments since 2001. Out of Nu.0.107 million, a sum of Nu.0.035 million was later recovered leaving a balance of Nu.0.072 million.

##### *Who are accountable?*

*Thinley Dorji, Finance Manager and Chencho Tshering, Deputy Managing Director*

### 4.46 Bhutan Postal Corporation Ltd.

During the period, the Royal Audit Authority had issued two audit reports of Bhutan Postal Corporation Limited (BPCL) and its units. There were ten observations pointed out in the reports

involving Nu.0.577 million. However, nine observations amounting to Nu 0.458 were settled. The total unresolved significant irregularities amounted to Nu.0.092 million as summarised below:



Sl. No.	Observations in brief	Nu in million	Category Code
1	Fraud, Corruption and Embezzlement	0.092	1 & 2
	<b>Total</b>	<b>0.092</b>	

## 1 Fraud, Corruption and Embezzlement – Nu.0.092 million

There was one case indicating fraud, corruption and embezzlement involving Nu.0.092 million as explained hereunder:

### 1.1 *Embezzlement of cash - Nu.0.092 million (Para 4.1)*

The Senior Postal Assistant of Nganglam Post Office had embezzled Nu.0.119 million by forging signatures of the payees. Out of Nu.0.119 million, a sum of Nu.0.027 million was later deposited leaving a balance of Nu.0.092 million. No action had been taken for the fraudulent practice.

#### **Who are accountable?**

*Sonam Tshering, GM (ER) and Jigme Tenzin, Deputy Managing Director*

## 6.47 Bhutan Telecom Ltd.

During the period, the Royal Audit Authority had issued four audit reports of the Bhutan Telecom Limited (BTL) and its units. There were twenty four observations pointed out in the reports

involving Nu. 54.803 million. However, twenty one observations amounting to Nu. 51.747 were settled. The total unresolved significant irregularities amounted to Nu.0.045 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Mismanagement	0.045	3
	<b>Total</b>	<b>0.045</b>	

## 1 Mismanagement – Nu.0.045 million

There was one case of mismanagement involving Nu.0.045 million as explained hereunder:

### 1.1 Outstanding revenue – 0.045 million (Para 1.1)

The BTL, Trashigang had outstanding revenues of Nu.0.045 million against various customers. No action had been taken.

#### **Who are accountable?**

*Sonam Norbu, Cashier and Sangay Norbu, Area Manager*

## 6.48 Food Corporation of Bhutan

During the period, the Royal Audit Authority had issued one audit report of the Food Corporation of Bhutan (FCB), Gelephu. There were six observations pointed out in the report involving Nu.6.976 million. However, three observations amounting to Nu.6.019 million were settled. The total unresolved significant irregularities amounted to Nu.1.952 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Fraud, Corruption and Embezzlement	1.562	1 & 2
2	Shortfalls, Lapses and Deficiencies	0.390	5
	<b>Total</b>	<b>1.952</b>	

### 1 Fraud, Corruption and Embezzlement – Nu.1.562 million

There was one case indicating fraud, corruption and embezzlement involving Nu.1.562 million as explained hereunder:

#### 1.1 Misuse of cash – Nu.1.562 million (Para 1)

Tenzin Dorji, the then Bulk Manager of FCB, Gelephu had misused cash amounting to Nu.1.562 million. The case was forwarded to the Royal Court of Justice, Gelephu and accordingly, the land belonging to Tenzin Dorji at Gelephu had been taken over by the FCB at an estimated value Nu.0.997 million leaving a balance of Nu.0.565 million. The incumbent is currently serving the prison term.

#### **Who are accountable?**

*Tenzin Dorji, Bulk Manager and Tashi Peljore, Regional Manager*

## 2 Shortfalls, Lapses and Deficiencies – Nu.0.390 million

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There was one case falling under shortfalls, lapses and deficiencies involving Nu.0.390 million as explained hereunder:

### 2.1 Outstanding debtors – Nu.0.390 million (Para 2)

The FCB, Gelephu had outstanding debtors of Nu.5.284 million of which a sum of Nu.4.894 million was settled leaving a balance of Nu.0.390 million.

#### **Who are accountable?**

*Sonam Choden, Bulk Manager and Tashi Peljore, Regional Manager*

## 6.49 Bhutan Power Corporation Ltd.

During the period, the Royal Audit Authority had issued four audit reports of the Bhutan Power Corporation Limited (BPCL). There were nineteen observations pointed out in the reports involving

Nu.1.436 million. However, sixteen observations amounting to Nu.1.278 were settled. The total unresolved significant irregularities amounted to Nu.0.037 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Mismanagement	0.037	5
	<b>Total</b>	<b>0.037</b>	

### 1 Mismanagement – Nu.0.037 million

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There was one case of mismanagement involving Nu.0.037 million as explained hereunder:

#### 1.1 Non realization of energy charges – Nu.0.037 million (Para 2.1)

The Electricity Services Division, Samdrupjongkhar had outstanding energy charges of Nu.0.037 million against the Royal Bhutan Police. The case had been forwarded to General Manager, Distribution and Customer Services Department for write off.

#### **Who are accountable?**

*Palman Thapa, Asstt. Manager and Lobzang Dorji, Sr. Manager*

## 6.50 Kurichu Hydro Power Corporation Ltd.

During the period, the Royal Audit Authority had issued one audit report of the Kurichu Hydro Power Corporation Limited (KHPCL). There were nine observations pointed out in the report

involving Nu. 2.731 million. However, eight observations amounting to Nu. 0.207 million were settled. The total unresolved significant irregularities amounted to Nu.2.511 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	2.511	5
	<b>Total</b>	<b>2.511</b>	

### 1 Shortfalls, Lapses and Deficiencies – Nu.2.511 million

There was one case falling under shortfalls, lapses and deficiencies involving Nu.2.511 million as explained hereunder:

#### 1.1 *Non realization of Value Added Tax refund - Nu.2.511 million (Para 8)*

The KHPCL had not realised the refund of Value Added Tax (VAT) aggregating to Nu.2.511 million from M/s Baharat Heavy Electrical Limited, Ranipur against the supply of spare parts. Despite repetitive reminders, the management had not received any appropriate response.

#### *Who is accountable?*

*Thinley Dorji, Chief Engineer*

## 6.51 State Trading Corporation of Bhutan Ltd.

During the period, the Royal Audit Authority had issued one audit report to the State Trading Corporation of Bhutan Limited (STCBL). There were ten observations pointed out in the report

involving Nu. 53.963 million. The total unresolved significant irregularities amounted to Nu.40.834 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	40.834	5
	<b>Total</b>	<b>40.834</b>	

## 1 Shortfalls, Lapses and Deficiencies – Nu.40.834 million

There were cases of shortfalls, lapses and deficiencies involving Nu.40.834 million as summarised hereunder:

Sl. No.	Observations in brief	Nu in million	Para No.	Who are accountable?
1.1	Retention of huge stocks of non moving items	34.839	5	Tenzin Norgay, GM and Samdrup K Thinley, MD.
1.2	Losses due to sales below cost price	4.782	3.1	Tshering Wangchuk, Manager and Samdrup K. Thinley, MD
1.3	Huge losses through payment of liquidated damages	1.213	3.3	
	<b>Total</b>	<b>40.834</b>		

The cases are explained below:

### ***1.1 Retention of huge stocks of non moving items – Nu.34.839 million***

The STCBL had retained huge stock balance of non moving items valuing Nu.44.664 million resulting into blockage of fund. However, the management had auctioned stocks worth Nu.9.825 million.

### ***1.2 Losses due to sales below cost price - Nu.4.782 million***

The STCBL had incurred a loss of Nu.4.782 million on the supply of Bitumen & Emulsion to the Ministry of Works and Human Settlement at rates below the cost price. The management had forwarded the dispute to Dungkhag Court, Phuentsholing for interpretation of the tender documents and awaits its decision.

### ***1.3 Huge losses through payment of liquidated damages – Nu.1.213 million***

The STCBL had suffered direct losses of Nu.1.213 million by payment of liquidated damages for late delivery of supplies. The management had forwarded the issue to Dungkhag Court, Phuentsholing for interpretation of the tender documents and awaits its decision.

## 6.52 Bank of Bhutan Ltd.

During the period, the Royal Audit Authority had issued one audit report of the Bank of Bhutan Limited (BoBL). There were thirty one observations pointed out in the report involving Nu.20.460 million.

However, five observations amounting to Nu. 3.518 million were settled. The total unresolved significant irregularities amounted to Nu.1.271 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	1.271	5
	<b>Total</b>	<b>1.271</b>	

### 1 Shortfalls, Lapses and Deficiencies – Nu.1.271 million

There were cases of shortfalls, lapses and deficiencies involving Nu.1.271 million as summarised hereunder:

Sl. No.	Observations in brief	Nu in million	Para No.	Who are accountable?
1.1	Default in loan account	1.271	3.2 & 3.3	T.C. Ghimirey, Asstt Chief Manager and Namgay Dorji, General Manager
	<b>Total</b>	<b>1.271</b>		

The cases are explained below:

#### 1.1 Defaulted loan account – Nu.1.271 million

- a) The BoBL Main Branch, Thimphu had sanctioned a loan of Nu.1.000 million to one of the clients holding Loan Account # ML 1049 despite erratic repayment in respect of Loan Account # ML/699. Due to default in repayment, the loan balance had increased to Nu.1.058 million. No action had been taken.
- b) The loan granted to one of the clients under Credit Guarantee Scheme for opening a restaurant in Thimphu had exceeded the maximum terms of loan by six months. The client so far had paid Nu.0.007 million against the loan of Nu. 0.220 million leaving a balance of Nu.0.213 million. No action had been taken.

## 6.53 Bhutan National Bank Ltd.

During the period, the Royal Audit Authority had issued two audit reports of the Bhutan National Bank limited (BNBL) and its branch offices. There were twenty two observations pointed out in the reports involving Nu. 10.512 million.

However, eight observations amounting to Nu.0.673 million were settled. The total unresolved significant irregularities amounted to Nu.2.445 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	2.445	5
	<b>Total</b>	<b>2.445</b>	

### 1 Shortfalls, Lapses and Deficiencies – Nu.2.445 million

There were cases of shortfalls, lapses and deficiencies involving Nu.2.445 million as summarised hereunder:

Sl. No.	Observations in brief	Nu in million	Para No.	Who are accountable?
1.1	Suspended transport loans	0.406	1.5	Karma Deki, Offtg. Head, Credit
1.2	Overdue Government Employee Loans	2.039	1.1 a	Delley Phuntsho, Head, GE Loan
	<b>Total</b>	<b>2.445</b>		

The cases are explained below:

#### **1.1 Suspended transport loan – Nu.0.406 million**

The BNBL, Thimphu had neither seized the vehicle nor taken over the land at Paro after suspension of transport loan amounting to Nu.0.406 million. The management had forwarded the case to the District court and the court had granted time till June 23, 2008 to repay the loan.

#### **1.2 Overdue Government Employee (GE) loan accounts - Nu.2.039 million**

The BNBL, Thimphu had overdue GE loans amounting to Nu.2.039 million from various clients. The highest defaulting clients were from the Royal Bhutan Police and the Royal Bhutan Army.

## 6.54 Bhutan Development Finance Corporation Ltd.

During the period, the Royal Audit Authority had issued three audit reports of the Bhutan Development Finance Corporation Limited (BDFCL) and its branch offices. There were forty two observations pointed out in the reports

involving Nu.46.200 million. However, fifteen observations amounting to Nu.4.780 million were settled. The total unresolved significant irregularities amounted to Nu.1.895 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	1.895	5
	<b>Total</b>	<b>1.895</b>	

### 1 Shortfalls, Lapses and Deficiencies – Nu.1.895 million

There were cases of shortfalls, lapses and deficiencies involving Nu.1.895 million as summarised hereunder:

Sl. No.	Observations in brief	Nu in million	Para No.	Who are accountable?
1.1	Loan sanctioned without collateral	0.200	1.1	Kencho Pelden, Assistant Legal Officer
1.2	Non repayment of loan installments	0.295	1.6	Karma Yonten, Project Officer and Ugyen Dendrup, GM, Credit
1.3	Default in housing renovation loans	1.400	1.8 1.13	Kinzang Thinley, Project Officer and Ugyen Dhendrup, GM, Credit Kencho Pelden, Assistant Legal Officer
	<b>Total</b>	<b>1.895</b>		

The cases are explained below:

#### 1.1 *Loan sanctioned without collateral – Nu.0.200 million*

The BDFCL, Thimphu had sanctioned a loan amounting to Nu.0.360 million to one of its clients in the year 1990 without any security/collateral. The Board during its 73<sup>rd</sup> meeting had waived off 50% of the loan and asked the client to pay balance amount of Nu.0.200 million by 15<sup>th</sup> Dec. 2006. Since the client failed to pay within the deadline, the case was forwarded to the Royal Court of Justice and its outcome is awaited.



## **1.2 Non repayment of loan installments – Nu.0.295 million**

One of the clients had not paid even a single installment of the 16 installments due on 18.01.07 for the tailoring loan availed on 4.10.05 amounting to Nu. 0.295 million. Since the client failed to update the loan account, the case was forwarded to the Royal Court of Justice, Thimphu and its outcome is awaited.

## **1.3 Default in housing renovation loans – Nu. 1.400 million**

- a) In addition to loan of Nu.8.000 million, a loan of Nu.0.400 million was sanctioned for the renovation of a three storied commercial building at Paro in deviation to Section 14, Clause 14.7 of the Royal Monetary Authority Prudential Guidelines. The repayment of the loan of Nu.1.200 million had been delayed by 492 days as on 31.1.07. Since the client failed to regularise the loan account, the case was forwarded to the Royal Court of Justice, Paro and its outcome is awaited.
- b) A house renovation loan amounting to Nu.0.200 million was sanctioned on 18<sup>th</sup> May 2005 without detailed cost estimates to one of the clients. The client had paid only one installment and failed to pay thereafter. No action has been taken.

## **6.55 Royal Securities Exchange of Bhutan Ltd.**

During the period, the Royal Audit Authority had issued one audit report of the Royal Securities Exchange of Bhutan Limited (RSEBL). There were seven observations pointed out in the report

involving Nu. 0.563 million. However, one observation amounting to Nu.0.050 million was settled. The total unresolved significant irregularities amounted to Nu.0.063 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.063	5
	<b>Total</b>	<b>0.063</b>	

### **1 Shortfalls, Lapses and Deficiencies – Nu.0.063 million**

There was one case falling under shortfalls, lapses and deficiencies involving Nu.0.063 million as explained hereunder:

### **1.1 Excess payment of allowances – Nu.0.063 million (Para No.3)**

The officials of the RSEBL had claimed subsistence allowances aggregating to Nu.0.067million in excess of the actual entitlement while attending a General Meeting abroad. The management had initiated recovery of excess payment on installment basis and recovered Nu.0.004 million leaving a balance of Nu.0.063 million.

#### **Who are accountable?**

*Ngawang Lhendup, Incharge, ADM, Dophu Dorji, Manager, Khandu Wangmo, Computer Programmer and Tashi Yezer, Chief Executive Officer*

## NON-GOVERNMENT ORGANISATIONS

### 6.56 Youth Development Fund

During the period, the Royal Audit Authority had issued one audit report of the Youth Development Fund (YDF). There were ten observations pointed out in the reports involving Nu.4.605 million.

However, seven observations amounting to Nu.1.889 million were settled. The total unresolved significant irregularities amounted to Nu.2.713 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Fraud, Corruption & Embezzlement	2.621	1
2	Shortfalls, Lapses and Deficiencies	0.092	5
	<b>Total</b>	<b>2.713</b>	

#### 1 Fraud, Corruption and Embezzlement – Nu.2.621 million

There was one case indicating fraud, corruption and embezzlement involving Nu.2.621 million as explained hereunder:

##### 1.1 *Embezzlement of fund – Nu. 2.621 million*

The Accountant had embezzled a sum of Nu.2.621 million by way of non-deposit of air ticket refunds, non deposit of cash collections, double booking of expenditure, booking of fictitious expenditure and withdrawal from the fixed deposit account. Out of Nu.2.621 million, a sum of Nu.0.860 million was recovered leaving a balance of Nu.1.761 million. The OAG had forwarded the case to the Royal Court of Justice.

##### **Who is accountable?**

*Singay Dorji, Accountant*

#### 2 Shortfalls, Lapses and Deficiencies – Nu.0.092 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.092 million as summarised hereunder:

Sl. No.	Observations in brief	Nu in million	Para No.	Who are accountable?
2.1	Double payment of salary	0.037	2	Singay Dorji, Accountant and Yandey Penjore, Director
2.2	Non recovery of loans	0.055	4	Dorji Ohm, Project Officer and Yandey Penjore, Director
	<b>Total</b>	<b>0.092</b>		

The cases are explained below:

### **2.1 Double payment of salary – Nu.0.037 million**

The staff salary of Drakshok Vocational Training Centre amounting Nu.0.037 million for the month of May 2004 was paid twice from different accounts resulting into double payment. The OAG had forwarded the case to the Royal Court of Justice.

### **2.2 Non recovery of loans – Nu.0.055 million**

Loan amounting to Nu.0.060 million paid to Mr. Gembola for opening a tailoring shop at Changzamtog, Thimphu was not liquidated within the stipulated time. The management so far had recovered Nu.0.005 million on installment basis leaving a balance of Nu.0.055 million.

## **6.57 Tarayana Foundation**

During the period, the Royal Audit Authority had issued two audit reports of the Tarayana Foundation. There were twelve observations pointed out in the reports involving Nu. 3.944 million.

However, two observations amounting to Nu.0.959 million were settled. The total unresolved significant irregularities amounted to Nu.0.250 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.250	5
	<b>Total</b>	<b>0.250</b>	

## 1 Shortfalls, Lapses and Deficiencies – Nu.0.250 million

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There was one case falling under shortfalls, lapses and deficiencies involving Nu.0.250 million as explained hereunder:

### 1.1 *Outstanding advances – Nu. 0.250 million (Para 4)*

The Tarayana Foundation had advances of Nu.0.250 million lying outstanding against Tarayana Club, College of Education, Paro.

#### **Who are accountable?**

*Sonam Yangden, Finance Personnel and Aum Chimi Paden Wangdi, Secretary General (Supervisory)*

## NON-GOVERNMENT ORGANISATIONS

### 6.56 Youth Development Fund

During the period, the Royal Audit Authority had issued one audit report of the Youth Development Fund (YDF). There were ten observations pointed out in the reports involving Nu.4.605 million.

However, seven observations amounting to Nu.1.889 million were settled. The total unresolved significant irregularities amounted to Nu.2.713 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Fraud, Corruption & Embezzlement	2.621	1
2	Shortfalls, Lapses and Deficiencies	0.092	5
	<b>Total</b>	<b>2.713</b>	

#### 1 Fraud, Corruption and Embezzlement – Nu.2.621 million

There was one case indicating fraud, corruption and embezzlement involving Nu.2.621 million as explained hereunder:

##### 1.1 *Embezzlement of fund – Nu. 2.621 million*

The Accountant had embezzled a sum of Nu.2.621 million by way of non-deposit of air ticket refunds, non deposit of cash collections, double booking of expenditure, booking of fictitious expenditure and withdrawal from the fixed deposit account. Out of Nu.2.621 million, a sum of Nu.0.860 million was recovered leaving a balance of Nu.1.761 million. The OAG had forwarded the case to the Royal Court of Justice.

##### **Who is accountable?**

*Singay Dorji, Accountant*

#### 2 Shortfalls, Lapses and Deficiencies – Nu.0.092 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.092 million as summarised hereunder:

Sl. No.	Observations in brief	Nu in million	Para No.	Who are accountable?
2.1	Double payment of salary	0.037	2	Singay Dorji, Accountant and Yandey Penjore, Director
2.2	Non recovery of loans	0.055	4	Dorji Ohm, Project Officer and Yandey Penjore, Director
	<b>Total</b>	<b>0.092</b>		

The cases are explained below:

### ***2.1 Double payment of salary – Nu.0.037 million***

The staff salary of Drakshok Vocational Training Centre amounting Nu.0.037 million for the month of May 2004 was paid twice from different accounts resulting into double payment. The OAG had forwarded the case to the Royal Court of Justice.

### ***2.2 Non recovery of loans – Nu.0.055 million***

Loan amounting to Nu.0.060 million paid to Mr. Gembola for opening a tailoring shop at Changzamtog, Thimphu was not liquidated within the stipulated time. The management so far had recovered Nu.0.005 million on installment basis leaving a balance of Nu.0.055 million.

## **6.57 Tarayana Foundation**

During the period, the Royal Audit Authority had issued two audit reports of the Tarayana Foundation. There were twelve observations pointed out in the reports involving Nu. 3.944 million.

However, two observations amounting to Nu.0.959 million were settled. The total unresolved significant irregularities amounted to Nu.0.250 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.250	5
	<b>Total</b>	<b>0.250</b>	

## 1 Shortfalls, Lapses and Deficiencies – Nu.0.250 million

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There was one case falling under shortfalls, lapses and deficiencies involving Nu.0.250 million as explained hereunder:

### 1.1 *Outstanding advances – Nu. 0.250 million (Para 4)*

The Tarayana Foundation had advances of Nu.0.250 million lying outstanding against Tarayana Club, College of Education, Paro.

#### **Who are accountable?**

*Sonam Yangden, Finance Personnel and Aum Chimi Paden Wangdi, Secretary General (Supervisory)*



# 7

## PERFORMANCE & THEMATIC AUDIT REPORT

The Royal Audit Authority has the mandate and the responsibility to audit and report on the Economy, Efficiency and Effectiveness in the uses of public resources. These audits were primarily aimed at ascertaining the existing systems and procedures, identifying inadequacies in the systems impeding the effective

delivery of public services and recommending measures for improvements. Since such audits require more time and resources, the RAA had been very selective in choosing the topics for performance and thematic audits. Therefore, the topics have been selected based on the following criteria;

- i. Overall estimated audit impact;
- ii. Significance of the programme to the activities of the agency;
- iii. Financial materiality;
- iv. Visibility of the program/activity as reflected in its political sensitivity and national importance;
- v. Risk to good management;
- vi. Operating in a complex and uncertain environment;
- vii. Cross agencies and theme audit;
- viii. Public grievance on delivery of services.

During 2007, the Royal Audit Authority issued four performance and thematic audit reports on the following topics:

- ★ Land Administration and Management in Thimphu City Corporation;
- ★ Processing of Building Applications and Monitoring of related Construction Activities in Thimphu City Corporation;
- ★ Land Pooling Procedures in Thimphu City Corporation; and
- ★ Government Property Management System.

The significant findings and recommendations made in each report are presented below:

## 7.1 Land Administration and Management

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The land administration and management audit was aimed at reviewing the existing system and procedures of the Thimphu City Corporation (TCC), identifying inadequacies and recommending measures for improvement relating to the administration and management of land

within the Thimphu municipal area. The system of administration and management of land in general was found to be inadequate and deficient impeding effective delivery of services by the TCC. Significant findings and recommendations were as summarised below:

### 7.1.1

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Lack of clarity in the applicability of laws and absence of detailed rules & regulations, system and procedures had led to uncertainties and inconsistencies in processing and administering the land transfers, registration and management.

### 7.1.2

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Contrary to the Land Act, the TCC had carried out the transfer of land falling under the Municipal area without the Court decisions. The TCC stated that the transfers were being made as per Section 69 of the Bhutan Municipal Act. Thus the TCC had been exercising judicial functions for which there was no proper judicial process being developed.

### 7.1.3

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There were differences in landholdings as per the records of the DSLR and the TCC. 21 cases involving 492.608 decimal of excess areas of land occupied were found regularized by the TCC without proper documentation, investigation and reconciliation of the differences. Further, 4 cases involving excess occupied area of 33.859 decimals land in respect of land received under the Kasho and 3 cases with excess occupied area of 26.56 decimals land in the extended area of the TCC were found regularised irregularly. There were also cases of conversion of dry land to wet land and vice versa without proper documentation.

### 7.1.4

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The provisions of the Land Act pertaining to the granting of substitute land and compensation against the private land acquired by the government were not followed consistently and equitably. While some affected land owners were provided with substitute land as well as cash compensation upon production of certificates of not having lands in other places, some were given only the cash compensation in spite of requesting for substitute lands. There were cases where substitute land was given despite having lands in other areas.

### 7.1.5

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There were many cases where the TCC had not updated the *Thram* upon execution of land transfers and regularisations. Thus the *Thrams* did not reflect the updated position of landholdings. Moreover, there were glaring differences in the landholdings as recorded by the DSLR, and the TCC.

### 7.1.6

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The rates of lease rent varied between 10 Chetrum per sft of leased area to Nu. 42.00 per sft without proper rationality for the variation. In some cases TCC had allowed the Government land to be occupied without signing the lease agreement. As a result lease rents were found not collected.

### 7.1.7

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Supervision and monitoring mechanism over the processing and approval of land transfer cases were either absent or not adequate. Service delivery standards were not clearly defined and synchronised with daily activities of the division or units or at the level of individual employees responsible for the activities. There was no system of maintaining movement indicator of the officials having direct interface with the general public or clients so as to facilitate speedy delivery of services and avoid unnecessary inconveniences to the public. This had led to exercising undue discretion by the public officials, inactions and abnormal delays in the processing of applications for land transfers. Consequently, there were 455 pending land transfer cases pertaining to the period as back as 1992 with the Survey Section, Legal Unit taking as high as 1,214 days to execute an agreement after the approval for land transfer accorded by the Thrompon and the Land Management Section retaining applications as long as 404 days. On an average, in between June 2005 till March 2006, it took about 129 days as against stipulated time frame of 60 days in processing an application.

## Recommendations

Important recommendations made by the RAA included the following:

- ✍ The TCC should review the relevance and the applicability of the Land Act in the Municipal areas and obtain clarification from the authorities on the extent of its applicability to avoid ambiguities, inconsistencies and arbitrary decisions. There is also a need for greater autonomy to the TCC to enable it to operate as a body corporate as envisaged in the Bhutan Municipal Act 1999 (BMA) and as per the recommendation of the GG+ document.

- ✍ The TCC should develop detailed rules and regulations, systems and procedures as required under Section 69 of BMA 1999 to properly regulate land transfers, registration and management. The TCC should ensure timely updating of Thrams to reflect current landholdings. The Government should also review the rationality and legality of land transfer and regularisation cases.
- ✍ The TCC should maintain proper records of Government land leased out to private parties and proper inventory of Government landholdings within the Thimphu Municipal Area for better record, control and management of Government land.
- ✍ TCC should establish an effective supervision, monitoring and reporting system for promoting better accountability and transparency amongst those responsible for processing land transfer cases and administering urban land management and providing speedier services to the clients. The TCC should develop service delivery standards for each Division, Section and Unit including delineation of duties and responsibilities of officials and staff members for effective and efficient delivery of services.

## **7.2 Recording, Processing and Approval of Building Applications**

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The audit was aimed at reviewing the existing system and procedures, identifying inadequacies in the system and recommending measures for improvement relating to recording, processing and approval of building applications.

Significant audit findings on the review of the system of processing of building applications, compliance of Development Control Regulations 2004 and monitoring of building construction activities were as summarised below:

### **7.2.1**

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The Development Control Regulation (DCR) 2004, an important regulation of the TCC was approved to be implemented for a period of 18 months on a trial run in the 59<sup>th</sup> City Committee Minutes of Thimphu City Committee Meetings held on 28<sup>th</sup> September 2004 without formal approval or notification by the Government.

### **7.2.2**

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While the DCR 2004 clearly stipulated requirement of prior approval of the TCC as prerequisite for commencement of any construction activities, it also incorporated clause for regularisation of construction carried out without prior approval by paying penalty. These provisions were contradictory and incompatible providing scope for carrying out unauthorised construction activities.

### 7.2.3

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There were no regulations prescribed in the DCR 2004 pertaining to the Heritage, Dzong, Environmental Conservation, Agriculture Environments and Traditional Village Precincts. As such, some building applications were not processed due to lack of above regulations leading to construction without approval from TCC.

### 7.2.4

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As against the provisions of BMA 1999 and the DCR 2004, there were instances of institutional buildings being constructed without obtaining prior approvals of the TCC.

### 7.2.5

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Construction of habitable attics in any type of building were not permitted as per the DCR 2004. However, in contravention to the DCR 2004, the records maintained by the TCC revealed that more than 160 buildings had unauthorised habitable attics constructed.

### 7.2.6

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There were abnormal delays in clearing building applications with process time taken varying from 37 days to as high as 731 days. The TCC had taken 184 days on an average to accord the final approval for the construction from the date of receipt of application, which was more than double the prescribed timeframe of 90 days. The time taken in the Architectural Unit alone ranged from 18 days to 677 days.

### 7.2.7

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In contravention to Section 2.8.9 of the DCR 2004, there were many instances of occupation of buildings without obtaining the Occupancy Certificates from the TCC for which the TCC had not initiated any action as stipulated in the DCR 2004.

### 7.2.8

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There were 11 Local Area Plans (LAPs) under the Thimphu Municipality, out of which only two LAPs viz., Lungtenphu and Changzamtog were finalised. Unless the LAPs are finalised, normally no developmental activities are permitted as no demarcation would have been carried out. However, the TCC had granted 43 building permissions in the extended areas without finalising the LAPs.

## 7.2.9

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In terms of Circular No. MoW&HS/CDB-2/2004-2005/924 dated 17 January 2005 of the Hon'ble Zhabtog Lyonpo, only architects were required to be registered with the Construction Development Board (CDB). No such requirements were prescribed for other engineers. Registration of architects who were civil servants was in contravention to the civil service rules and regulations.

## 7.2.10

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Due to designation of different precincts and sub-precincts in the same zone, there were anomalies in the use of land and buildings in terms of number of floors, plot coverage, commercial and residential uses and construction of basement in slopping areas.

## 7.2.11

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The TCC had irregularly allowed regularisation of deviations in construction of buildings pertaining to front set back, rear set back, side set back, plinth area and building coverage by levying penalty.

## Recommendations:

Significant recommendations made by the RAA were as summarized below:

- ✍ The DCR 2004 should be reviewed and updated based on feedbacks received and experience gained during the trial period for rendering it practicable, relevant and effective, besides issuing proper notification for its effective implementation.
- ✍ The TCC should review contradictory provisions in the DCR 2004 which stipulate the requirement of prior approval of TCC for construction as well as allowed regularisation of constructions without its prior approval. The TCC must ensure that no construction activities are permitted without its prior approval.
- ✍ The DCR 2004 should incorporate detailed regulations in respect of the heritage, dzong, environmental conservation, forest environments, agriculture environments and traditional village precincts which are not incorporated.
- ✍ Lack of detailed procedures in processing building applications has caused delays. To address these problems and ensure effective delivery of services the TCC should establish time bound process and sub processes clearly

delineating functions and responsibilities of individuals within various divisions and sections in a systemised manner for better accountability and speedy delivery of services.

- ✍ Lack of adequate and strict monitoring would result in unauthorized constructions, deviations, encroachment and other non-compliances. The monitoring Units should be adequately mandated and equipped to enable them to strictly enforce the regulations and to be held accountable for non-compliances in their respective zones of responsibility.
- ✍ Registration of civil servants holding architectural engineering degree with the CDB for preparing architectural designs and drawings and participating in the bids is not consistent with the BCSR that specifically prohibits civil servants engaging in any business activities. The Government should review and revise the related notification to render it consistent with the BCSR.
- ✍ Presently only the architectural engineers are required to be registered with the CDB. This needs to be reviewed and revised to include the registration of civil and electrical engineers.
- ✍ For speedier processing of applications and promoting greater transparency, the TCC should study the feasibility and practicability of instituting a system of on-line processing of applications.

### **7.3 Land Pooling Mechanism**

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The review of the administration and the management of Land Pooling System within the three (3) Local Area Plans viz. Changzamtog, Taba and Lungtenphu was primarily aimed at ascertaining and evaluating the adequacies of the system and procedures in ensuring effective implementation of Land Pooling policies and delivery of services.

Despite associated difficulties and complexities involved in implementation of the land pooling policy particularly convincing the affected land owners of the potential benefits accruing from it, the TCC had been able to make some notable progress in certain key areas.

- ✍ The TCC was able to secure consensus of many land owners in general to surrender a portion of their landholding as a part of Land Pooling mechanism despite lack of legal authority.
- ✍ In line with the Structural Plan 2002-2027, the TCC had developed ten Local Area Plans (LAPs) for the implementation of the land pooling mechanism. As of date 8 LAPs were finalised and under implementation.

Significant deficiencies and lapses observed on the review of land pooling system were as summarised below:

### **7.3.1**

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There was ambiguity in the requirement of minimum plot size. As per the DCR 2004, the minimum land requirement before pooling is 13 decimals. Contrary to the provision, the Land Pooling Manual stipulates that “the owner is unlikely to agree to contribute any of her/his land if the plot is only just enough to accommodate a simple house”. As such, defining the minimum plot size of 13 decimals would not only lead to uncertainties and inconsistencies in the applicability of provisions but would also impede the effective implementation of Land Pooling Mechanism.

### **7.3.2**

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No specific timeframe or regulations for implementation of all the Local Area Plans (LAPs) were framed and documented. Absence of properly defined timeframe and regulations impeded the finalisation and effective implementation of LAPs. As observed some of the LAPs were yet to be finalised leading to delays in the implementation and inconveniences to the public.

### **7.3.3**

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While 8 Local Area Plans (LAPs) out of 10 laps were finalised in February 2003 its implementation had been delayed. Lack of adequate co-operation from plot owners, absence of proper legal mandates for land pooling and indecisiveness in enforcing decisions led to non-implementation of plans.

### **7.3.4**

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In some instances the TCC had applied land pooling percentage on the occupied area instead of registered area especially in the Changzamtog LAP. As the owners did not have the legal right to ownership on the excess occupied area, application of standard pooling percentage on the occupied area was not appropriate. Further, it indicated that by applying land pooling percentage on the occupied area, the TCC was indirectly regularising the excess land.

### **7.3.5**

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The TCC had allotted government land to the Bhutan Power Corporation Ltd. for the installation of transmission houses free of cost without proper approval. Allotment of government land to the corporations free of cost had no legal authority.



### 7.3.6

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There were many instances of landholdings where the TCC had allotted same *thram* numbers as well as plot numbers. Thus landholdings of different individuals having same *thram* number and plot number within the same area were confusing thereby giving rise to uncertainties and possible future complications.

## Recommendations

Significant recommendations made by the RAA were as below:

- ✍ The TCC should review and seek clear cut mandate on the adoption and implementation of the land pooling mechanism within the LAPs to avoid future complications and facilitate efficient and effective delivery of services.
- ✍ The TCC should review the provisions of both the DCR and the Land Pooling Manual relating to the minimum plot size to avoid ambiguities, inconsistencies and arbitrary decisions and actions.
- ✍ The TCC should develop appropriate timeframe for the implementation of the LAPs as well as the land pooling systems for facilitating proper monitoring and faster implementation of the plans. Such timeframes would help establish benchmarks and deadlines for proper implementation of plans and programmes. It is not necessary to have legal mandates for establishing timeframes.
- ✍ The TCC should review the application of land pooling percentage on the occupied area instead of the registered area as the Land Act do not permit right of ownership on the excess area occupied.
- ✍ The TCC should review the present system of allotment of vacant government land to the Corporations free of cost. Although TCC maintained that since there are few other similar cases, the actual registration will be done only after verifying all the land occupied by different organisations. However, since such cases are agency specific, the RAA is of the opinion that there is no need to wait till that time. Besides it is also not certain whether there will be an end to such transactions. In the process, government loses the revenue.

- ✍ Appropriate system should be evolved to facilitate better control over allotment of *thram* and plot numbers in future.
- ✍ The TCC should create greater awareness of land pooling amongst the stakeholders.

According to the TCC, the land pooling had become legally permissible with the revised Land Act, 2007 and many of minor lapses pointed out by the RAA would be taken care of by the Land Pooling Manual which is being drafted by the TCC.

## **7.4 Government Property Management System**

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The audit of the Government Property Management System was conducted with the overall objective of ascertaining economy, efficiency and effectiveness in the management of Government properties with particular emphasis on land, building and vehicles. Though the Ministry of Finance in the proper management of Government properties has taken several measures, the review revealed certain weaknesses and shortcomings in the overall property management system of the government as summarised below:

### **7.4.1**

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There was lack of up-to-date inventory of government property at the agency level as well as the centralised inventory record with the Department of National Property (DNP). As a result, the total value of property held by Government at any point of time was not known and hence not reported in the Annual Financial Statements.

### **7.4.2**

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In spite of the instruction issued by the Ministry of Finance, ministries and agencies had not completed registration of land occupied by them in their name. Out of the 10 ministries where records on the area of land were available and verified, 516.37 acres was registered and 214.25 acres was not registered.

### **7.4.3**

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One of the major weaknesses of the Government property management system was the non-compliance of Property Management Manual and other directives issued by the Government by various agencies.

#### 7.4.4

There were some cases of sale of Government buildings to private individuals. The disposal of any Government property to any individual rests solely with His Majesty the King. Besides, Government buildings and its periphery were not demarcated from

“Disposal of any government property to any individual rests solely with His Majesty the King”.

- HRH Ashi Sonam Choden Wangchuck, 1975

private land thereby increasing the risk of encroachment by either party which could lead to future complications. It reflected negligence on the part of individuals concerned and agencies in the management of government properties.

#### 7.4.5

The government did not have proper system of ascertaining useful economic lives of assets and optimal asset replacement cycle particularly relevant for the pool vehicles. In absence of such system, vehicles had been used far beyond their useful economic lives. Prolonged use of such assets beyond their useful economic lives could not only be expensive in maintenance but also pose risk to the lives of the users.

## Recommendations

With a view to streamline and strengthen the property management systems and procedures, the following recommendations were made:

- ✍ The Ministry of Finance should pursue with other ministries and agencies in getting the required information on Government property and look into the possibility of incorporating the value of Government assets in the Annual Financial Statements. All ministries and government agencies should co-operate with the DNP by providing details of the assets for maintaining the central inventory and regular updating of the records on the government properties.
- ✍ All the ministries and agencies should strictly comply with the PMM. The Ministry of Finance should monitor the compliance to the PMM 2001 by other ministries and agencies.
- ✍ The Ministry of Finance, Ministry of Works and Human Settlement and the National Land Commission should work together and speed up the

pending registration of land in the names of the occupying ministries and agencies.

- ✍ Other than His Majesty the King, no one has the authority to sell or grant government property to private individuals. The Government should investigate all such cases and register those properties in the government inventory of assets. The ministries and agencies must ensure that all Government properties are properly demarcated from the private land and the Ministry of Finance could issue an order to that effect.
  
- ✍ The Government should come out with optimal replacement cycle for the assets especially for Government pool vehicles. Such systems will not only fetch better prices while disposing off but will also reduce the running and maintenance cost of the vehicles.