

Ministry of Finance.

The Royal Audit Authority during the year 2002 had issued nine inspection reports of agencies under the Ministry of Finance. The following officials headed the ministry and the departments under it in the year 2002:

Sl. No	Name of Office bearers	Designation
1.	Lyonpo Yeshey Zimba	Minister
2.	Dasho Wangdi Norbu	Secretary
3.	Aum Y.T. Wangchuk	Director General, Department of Aid & Debt Management.
3.	Lam Dorji	Director, Department of Budgets & Accounts.
4.	Nima Wangdi	Director, Department of Revenue & Customs.
5.	Letho	Head, Administration & Finance Division.

The following table exhibits the summary of the findings in a consolidated form:

Table 1.26 showing summary of the observation by category code and the amount involved.

Sl. No.	Observation in Brief	Amount (Nu.Million)	%	Category code
1.	Outstanding tax/revenue/rental.	60.20	89.32	2
2.	Outstanding Advance.	4.32	6.41	1
3.	Avoidable expenditure.	1.06	1.57	5
4.	Misuse of revenue.	0.92	1.36	9
5.	Fictitious Expenditure claimed as tax deductible expenses.	0.36	0.53	18
6.	Non-imposition of penal interest.	0.29	0.43	13
7.	Under-assessment of Corporate Income Tax.	0.13	0.19	18
8.	Outstanding credit sales.	0.09	0.13	18
9.	Overpayment.	0.03	0.04	6
	Total	67.40	100	

Major findings:

1. Outstanding advance Nu.4.32 million.

The Ministry of Finance has an advances outstanding reflected against various third parties/ suppliers/employees aggregating to Nu. 4.32 million as summarized in the table 1.27:

Table 1.27 showing outstanding advances agency wise.

Sl. No	Agency	Amount (Nu.Million)
1.	Ministry of Finance, Secretariat.	4.04
2.	Regional Revenue & Custom Office, P/ling.	0.13
3.	Regional Revenue & Custom Office, Thimphu.	0.08
4.	Regional Revenue & Custom Office, Gelephu.	0.07
	Total	4.32

The over due advances beyond the period admissible must be accounted for with Commercial Interest in the Audit Recoveries Account.

Auditee's Response: *While some agencies submitted that actions are being taken to collect the money some did not respond.*

Who is accountable?: *Until such time the above amount is fully accounted for either in audit or in the agencies' books of accounts finance officers and concerned regional directors are held accountable.*

2. Outstanding tax/revenue/rental 60.20 million.

The Regional Revenue & Customs Offices (RRCO) has outstanding revenue/tax/rental yet to be collected from various companies amounting to Nu.60.20 million. Amount of taxes collectible by various RRCO's are as shown in the table 1.28:

Table 1.28 showing outstanding revenue region wise.

Sl. No	Regional Revenue & Customs Offices (RRCO)	Amount (Nu. Million)
1.	Regional Revenue & Custom Office, P/ling.	13.63
2.	Regional Revenue & Custom Office, Thimphu.	38.33
3.	Regional Revenue & Custom Office, Gelephu.	0.63
4.	Regional Revenue & Custom Office, Samtse.	6.54
5.	Regional Revenue & Custom Office, S/jongkhar.	1.07
	Total	60.20

The Regional Revenue & Customs Office, Phuentsholing had outstanding taxes aggregating to Nu.13.63 million not collected from the following companies given in the table 1.29:

Table 1.29 showing outstanding taxes by client wise under Phuentsholing region.

Sl. No.	Name of Company	Amount (Nu.Million)
1.	M/s Bhutan Board Product Limited.	9.45
2.	M/s Namgay Hotel.	1.78
3.	M/s Bhutan Engineering Company.	0.81
4.	Various Importers.	1.59
	Total	13.63

The amount reflected against M/s Bhutan Board Products Limited (BBPL) includes interest component for the tax not paid as per the taxation rule. For the outstanding tax amount of Nu.5.21 million a case has been put up to the Tax Appeal Committee, Department of Revenue and Customs, but the decision is awaited. Further, M/s BBPL had not paid the Royal Government a dividend amounting to Nu.2.37 million including the tax components for the year 1998.

Auditee's response: *The RRCO, Phuntsholing submitted that the case is under appeal.*

Who is accountable?: *Until such time the government revenue in question under appeal is resolved the Director, Department of Revenue & Customs and Regional Director, Regional Revenue & Customs Office, Phuntsholing is held accountable.*

The **RRCO, P/ling** also has outstanding tax reflected against M/s Namgay Hotel amounting to Nu.1.78 million. The case has been submitted to the Headquarter who in turn had submitted to the Office of the Legal Affairs. The decision is awaited.

M/s Bhutan Engineering Company had not filed in the tax returns on time as required for running the Government Central Workshop in Phuentsholing. The accounts for the business year covering from 1995 to 1999 were submitted only in 2001. The tax assessed on the accounts submitted and late fine imposed by the assessing authority amounting to Nu.0.29 million & Nu.0.52 million respectively is yet to be deposited.

Auditee's response: *With regard to non-settlement of tax of Nu. 1.78 million approximately against M/s Namgay Hotel the RRCO,Phuntsholing submitted that on Headquarter's instructions an amount of Nu.0.60 million was realised. The case pertaining to M/s Bhutan Engineering Company was stated to have been transferred to RRCO, Thimphu.*

Who is accountable?: *Until such time the government revenue in question is resolved fully the Regional Director, Regional Revenue & Customs Office, Phuntsholing is held accountable.*

The **RRCO, P/ling** had not realised the import bills amounting to Nu.0.59 million from the importers. Some of the amounts reflected above are accumulated from the Financial Year as far back in 1992-93.

Auditee's response: *The RRCO, Phuntsholing had informed the RAA that the matter was put up to the Director, Department of Revenue & Customs to take up further actions.*

Who is accountable?: *Until such time the government revenue in question is resolved fully the Regional Director, Regional Revenue & Customs Office, Phuntsholing is held accountable.*

The **RRCO, Samdrupjongkhar** had not realised tax amounting to Nu.1.07 million against the demand notice issued in 1998/1999. The case was stated to be under appeal.

Auditee's response: *The RRCO, S/Jongkhar submitted that they have not received anything on the case put up for appeal.*

Who is accountable?: *Until such time the government revenue in question is fully resolved the Regional Director, Regional Revenue & Customs Office, S/jongkhar is held accountable.*

The **RRCO, Thimphu** had outstanding taxes aggregating to Nu. 38.33 million not collected from the companies given in the table 1.30:

Table 1.30 showing outstanding taxes by client wise under Thimphu region.

Sl. No	Name of company	Amount (Nu.Million)
1.	M/s Rabsel Construction Company.	1.87
2.	M/s Druk Chogley Construction Company.	25.13
3.	M/s JD Construction Company.	0.46
4.	M/s Druk Construction Company.	0.12
5.	M/s Chapcha Engineering Private Limited.	1.68
6.	M/s Damchu Construction Company.	8.44
7.	M/s Ongdi Timber Industries.	0.09
8.	M/s Kelwang Tiger Beer.	0.02
9.	M/s Jungshi Hand Made Paper Factory.	0.02
10.	M/s Choden Saw Mill, Haa.	0.02
11.	Importers.	0.48
	Total	38.33

The **RRCO, Thimphu** stated that the bulk of the tax amount from serial number **1** to **8** pertains to the penalty on income evaded. The case was stated to be under appeal.

The companies at Serial Number **9 & 10** were given the chance to pay the assessed taxes on instalment basis but failed to pay the amount.

The amount at serial number **11** is the value of customs duty/tax, labour and transportation charges of the goods received from Paro Customs Office and Phuentsholing but released by the Customs Transit Office, Thimphu to the consignees without requiring them to clear the dues.

Auditee's response: *The RRCO, Thimphu had not submitted any action taken on this matter as of date.*

Who is accountable?: *Until such time the whole of the issue is resolved or the tax amount deposited into audit recoveries account the former and present Regional Directors are held accountable.*

The RRCO, Gelephu had not collected rural taxes amounting to Nu.0.63 million from various dzongkhags and dungkhags under its region. Some taxes were outstanding since 1986.

Auditee's response: *The RRCO, Gelephu intimated the RAA about some collections being made.*

Who is accountable?: *Until such time the whole of the issue is resolved or the tax amount deposited into audit recoveries account the former and present Regional Directors are held accountable.*

The RRCO, Samtse had outstanding taxes aggregating to Nu.6.54 million not collected from the companies given in the table 1.31:

Table 1.31 showing outstanding taxes client wise under Samtse Region.

Sl. No.	Name of Company	Amount (Nu.Million)
1.	M/s Jigme Mining Enterprise, Pugli .	2.06
2.	M/s Lhaki Cement, Private Limited, Gomtu.	1.99
3.	M/s Yangzom Cement Private Limited.	0.43
4.	M/s Chundu Enterprise, Pugli.	0.68
5.	M/s Singye Dolomite Mining Industry, Duarpani.	0.95
6.	M/s Bhutan Dolomite Powdering Unit.	0.35
7.	M/s Dhendup Hume Industries.	0.08
	Total	6.54

Some of the tax outstanding related to more than one tax year of assessment and some of the outstanding dated as far back as 1991.

Auditee's response: *The RRCO, Samtse submitted that the cases are all under appeal.*

Who is accountable?: *Until such time the government revenue in question under appeal is resolved the Regional Director, Regional Revenue & Customs Office, Samtse is held accountable to pay with Commercial Interest.*

3. Fictitious expenditure claimed as tax deductible expenses Nu.0.36 million.

M/s Asian Minerals Export had submitted an appeal for Nu.0.36 million but was rejected owing to the fact that the expenses were neither accounted

in the accounts submitted to the RRCO, Phuntsholing nor the relevant bills and vouchers made available at the time of tax assessment.

Auditee's response: *The RAA was intimated that the company M/s Asian Minerals Export was served with revised demand notice.*

Who is accountable?: *Until such time the whole of the issue is resolved or the tax amount deposited into audit recoveries account the former and present Regional Directors are held accountable.*

4. Misuse of revenue Nu.0.92 million.

A scrutiny of revenue collections and deposits statement at the main check post, RRCO, P/ling observed a revenue misuse by not depositing amounting to Nu.0.55 million approximately. Further, a sum of Nu.0.29 million approximately was short accounted for by underwriting/non recording the receipt amount figures in the computer with malafied intentions of covering up the misused amount. The Deputy Chief Accountant had also misused the revenue of Nu.0.08 million by issuing fake money receipts.

Auditee's response: *The RAA is intimated that the accountant involved in this misappropriation cases was terminated and that he was served with an office order to deposit the entire sum.*

Who is accountable?: *Until such time the whole of the amount misappropriated is deposited into audit recoveries account the accountant, finance officer and the Regional Director of RRCO, Phuntsholing are held accountable.*

5. Avoidable expenditure Nu.1.06 million.

The Liaison & Transit Office (LTO), Kolkata had incurred a demurrage charges amounting to Nu.1.06 million on behalf of importers mainly government departments. Had the import documents been furnished on time within the allowable seven to ten days then the Government would have saved Nu.1.06 million for the FY 2000-2001.

Auditee's response: *It was submitted that the Liaison Transit Office, Kolkata had to incur those expenses due to delay in documentation by the importers concerned and that the charges have been incorporated in the Import Bills.*

Who is accountable?: *The amount may have been recovered from the private importers but the amount recovered from the government agencies is still a loss to the government. Therefore, until such time proper procedures and internal control systems are in place to avoid such losses to the government the Liaison and Transit Officer is held accountable.*

6. Under-assessment of Corporate Income Tax Nu.0.13 million.

M/s Druk Chogley Construction Company's tax liabilities for the period 1995-2000 was under-assessed by Nu.0.13 million due to accounting of lesser amount of income and by excess adjustment of Tax Deducted at Source.

Auditee's response:

The RAA was informed that while transferring the amount to the summary from the detail figure it was messed up and typed incorrectly resulting in the differences of Nu.0.06 million. With regard to 0.07 million it was stated that the RRCO, Thimphu had sent a revised demand notice to the managing director.

Who is accountable?:

Until such time the amount of Nu.0.07 million with penal interest is received in audit the Regional Director, RRCO, Thimphu is held accountable.

7. Non-imposition of penal interest Nu.0.29 million.

M/s Bhutan Engineering Company paid the belated Corporate Income Tax (CIT) liabilities pertaining to the income received from the Sewerage Project amounting to Nu.3.00 million. But the RRCO, Thimphu had not imposed the penal interest @ 24% per annum amounting to Nu. 0.29 million as required under the Taxation Policy 1992.

Auditee's response:

The RAA was intimated that the issue was related to the long pending dispute between the DANIDA Project and the company. The company after prolonged negotiation with the project managed to get the money. The RRCO, Thimphu further stated that the tax amount is quite huge and the company had good tax compliance in the preceding years, therefore, presuming that the company would have paid the tax amount as soon as they received the money from the project they did not pursue the matter further. However, it was stated that they have written to the company to deposit the amount.

Who is accountable?:

Until such time the amount of penal interest is received in audit the present and former Regional Director, RRCO, Thimphu are held accountable.

8. Outstanding credit sales Nu.0.09 million.

The Duty Free Shop had outstanding credit sales of Nu.0.09 million not realised from its clients.

Auditee's response: *The management of Duty Free Shop submitted that the credit sales will be recovered and deposited into audit recoveries account.*

Who is accountable?: *Until such time the amount of credit sales is received in audit the manager is held accountable.*

9. Overpayment Nu.0.03 million.

The RRCO, Samtse had over paid Nu.0.03 million on account of supervision charges and construction of office building.

Auditee's response: *The RRCO, Samtse is yet to intimate the RAA on the action taken on this matter.*

Who is accountable?: *The Regional Director and Finance Officer of the RRCO, Samtse are held accountable until the amount overpaid is received in audit with Commercial Interest.*

The RAA expects the Ministry of Finance to set a role model of efficiency, effectiveness and accountability in accounting for all taxes that are due to the exchequer. The RAA hopes that it shall not be required to introduce the suspension of Audit Clearance.
