

Summary of AAR 2002.

This chapter and the chapters that follow shall form the part of the AAR 2002.

The observations that are included in these chapters represent the findings featured in the inspection reports issued in the year 2002. In doing so, attempts have been made to reflect the current status of those observations where information were made available as on the time of finalization of this Report.

In this chapter, the RAA would like to briefly present the summary of the AAR 2002 in a tabulated form along with some analytical comments of the whole report. We would like to remind that findings are not just restricted to observations presented in the table since the issues that have no monetary value but still significant are also highlighted in the report.

Audit had detected irregularities amounting to over Nu. 635 million during the year 2002 as presented in the summary table 1.0. All observations are classified under 18 categories as given in the summary table. These categories are used to consolidate all findings of all agencies.

The auditors noted huge lapses by agencies in incurring expenditure either in areas which did not prove fruitful or which could have been avoided. If plans were implemented with proper planning and prudent management of fund utilisation, our National Exchequer would have been either richer or borrowing deficit narrowed by over Nu.39 million.

Outstanding advances against the employees, suppliers and third parties and outstanding revenues from the private companies respectively were the areas having found weaknesses in the financial discipline of government organizations and corporations.

The auditors noted high degree of laxity in payment of advances from government funds while not enough effort was found put to recover/adjust where necessary and possible. Over Nu.355 million of government money is/was lying in the hands of contractors, suppliers and employees pending adjustment and recoveries. The Ministry of Health & Education and the Ministry of Trade & Industries had over Nu.138 million and 128 million respectively awaiting adjustment and recoveries.

Majority of the inspection reports included in this edition of the AAR covers the accounting period up to 30th June 2001 and a very few up to 30th June 2002, therefore, the RAA had logically inferred that government money lying in the private hands is already overdue for recovery or rightly be termed as misuse or dereliction of duty by the public functionaries.

Table 1.0 showing the Category code of observations and the amount involved (in million) for the year 2002

Sl. No.	Category code of observation	MTI	MoA	MoC	MHE	MHA	MoF	MoFA	Corp& Fin. Institute	Auto. Agency	Armed Forces	Judiciary	Total
1.	Outstanding advance	128.43	14.92	2.04	138.48	50.03	4.32	-	11.17	5.20	0.54	-	355.13
2.	Outstanding revenue	9.30	-	11.35	-	0.93	60.20	-	10.61	-	-	-	92.39
3.	Procurement without tendering	25.33	6.48	-	-	10.02	-	-	10.50	-	-	1.29	53.62
4.	Loss of revenue	28.01	-	1.15	-	-	-	-	-	-	-	-	29.16
5.	Avoidable/wasteful purchases /expenditure	19.00	0.06	19.16	-	-	1.06	-	-	-	-	-	39.28
6.	Over / excess /double payment	4.63	0.07	0.13	0.21	1.16	0.03	0.10	0.28	0.28	2.06	0.20	9.15
7.	Defective contract agreement	7.16	-	-	-	2.79	-	-	-	-	-	-	9.95
8.	Irregular/inadmissible payment	-	1.00	0.08	0.08	1.72	-	1.30	1.19	0.34	0.06	0.03	5.80
9.	Misappropriation/misuse of revenue	-	0.04	0.48	-	0.13	0.92	-	1.18	-	-	-	2.75
10.	Acceptance/Payment against defective materials	10.00	-	0.73	-	-	-	-	0.20	-	1.13	-	12.06
11.	Recoverable amount	2.39	-	-	-	-	-	-	0.13	-	-	-	2.52
12.	Irregular booking of expenditure	-	0.27	-	0.13	-	-	-	-	-	-	-	0.40
13.	Non-levying of liquidated damages	5.71	-	0.19	-	1.29	0.29	-	0.01	-	-	-	7.49
14.	Payment for works not executed/materials not received	-	0.12	-	-	0.27	-	-	-	0.09	0.02	-	0.50
15.	Non-deduction, short deduction of taxes	0.12	0.02	-	0.25	0.30	-	0.38	0.05	0.02	-	-	1.14
16.	Non-accountal of advances/equipment	-	0.37	-	-	-	-	0.66	-	-	-	-	1.03
17.	Fictitious payment	-	-	-	-	-	-	-	0.02	-	-	-	0.02
18.	Others	0.79	1.59	0.30	0.12	0.14	0.58	0.77	7.49	0.67	0.71	-	13.16
	Total	240.87	24.94	35.61	139.27	68.78	67.40	3.21	42.82	6.60	4.52	1.52	635.54

Irregular payments in the form of inadmissible payments, excess, double and over payment are still found strongly prevalent in the government agencies. Such amount aggregated to over Nu. 14.95 million. These are undesirably public monies dispersed for private gains and favour.

The Ministry of Finance had revenue outstanding not realised from the business entities amounting to over Nu.60 million. There were numerous cases where the business enterprise puts up an appeal against the Demand Notice for tax payment to the Tax Appeal Committee. But the regional offices were not informed of the decision thereby resulting in either non-payment of taxes or inordinate delay in the payment of taxes. Out of Nu. 60 million outstanding revenue more than Nu.23 million is stated to be under appeal.

There was also a reported case of an attempt to evade tax by one tax payer. This tax payer had submitted an appeal for the amount of expenses that were neither reflected in the account nor its relevant bills and vouchers made available at the time of tax assessment.

The Year 2002 saw a remarkable improvement in the tendering and procurement practices than that of year 2001. The total worth of goods and works procured without competitive tendering reflected in this report is only Nu.53 million as against Nu.326 million in the AAR 2001.

Payment/Acceptance of defective materials /works also was prominently significant which has a total reported figure of over Nu.12 million including Nu.10 million by the Ministry of Trade & Industry.

The Ministry of Trade & Industry had a substantial loss of revenue on account of energy losses, bad debts and weak contract managements/revenue losses due to delayed completion of construction works. All these accounted for a revenue loss of Nu.28 million to the government.

The Druk Seed Corporation had a reported operating losses ranging from Nu.4.70 million in 1999 to Nu.8.20 million in 2001. The cost of manufacturing expenses far exceeded the revenue generated through the sale of its products.

Some of the emerging issues highlighted in the inspection reports and incorporated in this report include irregular recruitment, irregular acceptance of resignation and irregular booking of expenditure amounting to Nu.0.40 million.

We hope the accountable authorities will take upon themselves as the moral duty and responsibility to resolve issues that relate to organization under their control. The severity or vice versa of the audit findings shall be considered as an indication of the quality of the leadership hereafter.