

Ministry of Works & Human Settlement

The Royal Audit Authority during the year 2003 had issued 10 inspection reports of agencies under the Ministry of Works & Human Settlement. The following officials headed the ministry and the departments under it in the first half of year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Dasho Leki Dorji	Dy. Minister
2.	Tshering Dorji	Offtg. Secretary
3.	Dorji Choden	Director, National Quality Control Authority
4.	Rinchen Dorji	Director, Department of Roads
5.	Pem Tshewang	Head, Administration & Finance Division

The following officials headed the ministry and the departments under it in the later half of year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Dr. Kinzang Dorji	Minister
2.	Tshering Dorji	Secretary
3.	Rinchen Dorji	Director, Department of Housing & Urban Development
4.	Phuntsho Wangdi	Director, Department of Roads
5.	Dorji Choden	Director, National Quality Control Authority
6.	Pem Tshewang	Head, Administration & Finance Division

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

Table 1.14 showing summary of the observations by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Irregular compensation	3.764	21.52	8
2.	Short realization of fees	0.348	1.99	18
3.	Outstanding taxes	0.240	1.37	2
4.	Excess/over/wasteful expenditure	0.254	1.45	6
5.	Non-levy of liquidated damages	2.167	12.39	13
6.	Irregular award of contract	6.615	37.82	7
7.	Payment of residential telephone charges	0.080	0.46	8
8.	Excess/over/double payment	1.593	9.11	6
9.	Outstanding advances	2.042	11.67	1
10.	Irregular/inadmissible payment	0.020	0.11	8
11.	Recoverable amount	0.120	0.69	18
12.	Non deduction of charges	0.015	0.09	15
13.	Non realization of hire charges	0.234	1.34	2
	Total	17.492	100.00	

Major findings:

1. Irregular compensation - Nu.3.764 million

A. The City Corporation, Thimphu had made the payment of Nu. 0.159 million towards the compensation for demolishing the structure built on the plots which was not approved by the government.

Auditee's response: *The management submitted that the construction was allowed as per the Royal Command and that the compensation was made in line with the directives of the Expressway Coordination Committee meeting in the interest of Royal Government to expedite construction of the Expressway to avoid cost escalation due to its delay.*

Who is accountable?: *Copy of the instructions of the CCM and the Money receipt from the Royal Bhutan Army must be furnished to the RAA to settle this issue. Therefore, until such time, the authority who approved such payment and Thrompon, Thimphu City Corporation are held accountable.*

B. The compensation amount of Nu. 0.264 million was made for the orchard and plots, which was not affected by the Express Way.

Auditee's Response: *The management stated that the alignment of the express way fell on the excess land, the owner had not applied for regularizing it. Therefore the owner was deprived of claiming the compensation for the affected land and that the amount paid was for the fruits bearing trees and the structures affected by the Express way.*

Who is accountable?: *The structure built on the excess land which was not regularized is illegal. The owner should have been given the opportunity to regularize and then pay for the compensation. The Thrompon is held accountable for such lapses.*

C. Further, the compensation of Nu. 0.206 million was paid on account of the government plots taken on lease, which was affected by the Express Way. However, the plot was already within the alignment of the Express Way. The plots should have been returned to the lessor on the expiry of the term but the compensation had been claimed which is in contravention to the agreement clause.

Auditee's Response: *The management stated that the lease agreement for the land in question was drawn in 1997 which was much before the proposal for the Express Way. It also stated that only the renewal of the lease agreement was effected from 1.3.2000 which was after the proposal of the express way and that the compensation made was as per the directives of the Expressway Coordination Committee Meeting.*

Who is accountable?: *Copy of the instructions of the CCM must be furnished to the RAA to settle this issue. Further, the lease agreement should not have been renewed. The responsibility for the lapses is fixed on the Thrompon, City Corporation, Thimphu.*

D. The compensation amount of Nu. 3.024 million was also made to the individuals who had occupied excess land which were not regularized under the orders of the competent authority.

Auditee's response: *The management submitted that the corporation had not been able to regularize the excess land at one time due to frequent change in alignment by the Department of Roads.*

Who is accountable?: *Payment in advance prior to finalization of the issue is a prima facie evidence of undue favor given to the land owners and breach of financial discipline. The responsibility for the lapses is fixed on the Thrompon, , City Corporation, Thimphu.*

E. The amount of Nu. 0.111 million was made on account of compensation for dismantling the semi permanent structure located at Changzamtog, which fell under the construction of Express Way. However, the supporting documents for the lease were not authentic and besides it was surprising that the allotment of the plots dates back to 1992 whereas the application for the lease was applied in 1994. As such, the compensation is not justified.

Auditee's response: *The management submitted that the corporation is not responsible for the issuance of lease agreement prior to 1994 since it pertains to the period before the area taken over by it. Regarding the compensation made it submitted that though the agreement clause did not contain the compensation, it had followed the directives of the Expressway Coordination Committee Meeting to avoid further delays to the project of National importance.*

Who is accountable?: *The payment of compensation which is not in line within rules and admissibility is highly irregular. Therefore, the authority who approved such payment and Thrompon, Thimphu City Corporation are held accountable.*

2. Short realization of fees - Nu.0.348 million.

The City Corporation, Phuentsholing had outstanding amount of Nu. 0.348 million collectible on account of Water Supply and Sewerage charges.

Auditee's response: *The RAA is informed that the PCC had already served the notice to the concerned users to clear dues immediately within the end of December 2002.*

Who is accountable?: *Till the amount is collected and deposited into Audit Recoveries Account, the Thromponl is held accountable.*

3. Outstanding taxes - Nu.240 million.

A. The City Corporation, Thimphu had not collected the amount of Nu. 0.103 million on account of Land and Urban house taxes, under Development fees and Service charges and water and sewerage bill for the period.

Auditee's response: *The management submitted that some of the amount in question pertained to the crematorium for which the write-off proposal was submitted to the Ministry of Finance. The balance amount pertained to property owners who are living abroad.*

Who is accountable?: *Till the amount is realized and deposited into Audit Recoveries Account with penal interest of 24 % p.a. the Thrompon is held accountable.*

B. The City Corporation, Phuentsholing had not collected the amount of Nu. 0.137 million on account of house/ land taxes from the various plot owners during the year.

Auditee's response: *The PCC had already issued notification to the concerned plot owners to clear the outstanding amount as early as possible. The same will be deposited to the Audit Recoveries Account.*

Who is accountable?: *Till the amount is collected and deposited into Audit Recoveries Account with penal interest of 24% p.a. the Thrompon is held accountable.*

4. Excess/over/wasteful expenditure - Nu.0.254 million.

While checking the 5th Running bill for the construction of Town Hall Building, it was noticed that the City Corporation, Phuentsholing had incurred an avoidable expenditure of Nu. 0.096 million on account of dismantling and rectifications of the works. Further, the amount of Nu. 0.158 million was incurred on the execution of the original work, which had to be dismantled due to the revisions of the drawings.

Auditee's response: *The installation and fixation of windows and ventilators were originally carried out as per drawing with the shutters opening outside for maximum functional utility of inside space. However, the Dy. Minister and the Director, on a visit to the construction site, pointed out that it was a wrong placement and that the traditional decorative elements on a window like horzhong, joshing and carvings should be exposed to outside for aesthetical and traditional look. Therefore, the contractor and the site engineers were instructed to dismantle and refer the windows and ventilators to rectify the mistake.*

Who is accountable?: *How the structure should look like must be foreseen at the designing stage and not later at the expense of the government. Therefore, the then Deputy Minister, Ministry of Communications, currently the Minister, Ministry of Information and Communications is held accountable.*

5. Non Levy of liquidated damages - Nu. 2.167 million.

A.The Road Maintenance Section (RMS), Trashigang had not deducted the liquidated damage of Nu. 0.156 million from M/s Penden Construction for the delay in construction of Resurfacing works of Duksum-Tashiyangtse road. Though the contractor had reported the hindrance of 27 days on account of rainfall and break down of machinery to the Executive Engineers, it was not approved.

Further, the liquidated damage of Nu.0.511 million was not levied from the following contractors on account of irregularity in the recording of hindrance of 63 days prior to the start of the work.

Sl. No.	Name of contractor	Amount of liquidated damage
1.	M/s Yurung construction	0.437
2.	M/s WCC	0.074
Total		0.511

The work for the construction of Bartsham-Ramjar Road was awarded to M/s Singye Construction Company at the contract value of Nu. 21.293 million. It was noticed that against the stipulated date of completion i.e 15th April 2002, the contractor had delayed the work by 260 days as of date of audit. However, as against 260 days of delay, 181 days were recorded in the hindrance register as a genuine. But on detailed review of the delay and hindrance recorded, it was noticed that out of 181 days, hindrance of 30 days on event of late release of mobilization advance was not justifiable as this does not necessarily delay the contractor to start the work. As such the contractor was liable to pay the liquidated damage for 109 days amounting to Nu. 1.160 million.

Similarly, the RMS, Tashigang had not deducted the liquidated damage of Nu. 0.284 million from M/s Welfare Construction Company for the delay of 30 days in completion of the construction of Gomkora-Tomyangtse road.

Auditee's response: *Since the work was stopped on 14th June 2002, before the end of contract period and subsequent rescind of work by the section, the contractor had not delayed the work. In fact the contractor has still 27 days hindrance to complete the work but the work could not be carried out due to rainfall which would adversely affect the quality of work.*

The measurements are taken only after reasonable quantity of work had been executed. S the hindrance recorded by the unit was genuine and MLTC had approved, the contractors were not levied penalty.

The RMS, Tashigang stated that the hindrance of 181 days is justified and the liquidated damages for 79 days amounting to Nu. 0.841 million would be recovered from the contractor's bill payable upto the date of audit. And that the total liquidated damages till the completion date would be worked out and recovered from the contractor.

The RMS, Tashigang had reported that since volume of work has

been increased, the extra time of five months has been granted by DOR. As such the recovery from the contractor is not advisable since the contract period has been extended.

Who is accountable?: *The Executive Engineer is held accountable and the amount of liquidated damage should be recovered from the contractor since the hindrance of 27 days was not approved.*

The liquidated damage for 79 days should be recovered and besides, the approval for 181 days be furnished to RAA. Until such time, the dealing official is held accountable.

Since the non-inclusion of item of work in BOQ was known and rectified only at the end of the contract period, the concrete justifications from the engineers who had estimated and the MLTC members for not analyzing the same at the time of work is insisted. Until such time, the dealing official is held accountable.

B. The Road Maintenance Section, Trongsa had awarded the work of resurfacing of Yotongla-Ura Highway to M/s U. Dee Construction Company. However, the completion of the work was delayed and the work was carried over as spill over work. The review of the hindrance register, 70 days have been detected as unjustified delay for which the liquidated damage amounted to Nu. 0.334 million. Since the work was not completed on time, the security deposit of Nu. 0.279 million had been forfeited on account of penalty. However, the balance amount of Nu. 0.056 million remains collectible from the contractor on account of liquidated damages.

Auditee's response: *The management had not stated anything about the balance amount recoverable from the contractor.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, the Finance Officer is accountable.*

6. Irregular award of Contract - Nu. 6.615 million.

A. The Road Maintenance Section, Phuentsholing had awarded the River Training (RT) Work to M/s. Pema Dema Construction on the basis of Kasho at the departmental estimate cost of Nu. 4.972 million. The work was completed before the schedule but at a higher cost of Nu. 4.903 million. A Cost Benefit Analysis (CBA) was carried out between the work awarded without inviting tenders and the work awarded on contract by selecting a similar type of work awarded on contract at the same site. A result of analysis revealed that the Government had foregone the saving of Nu. 2.401 million by awarding the work on work order basis. Per Metre cost of RT works were Nu.24,513.70 and Nu.12,507.59 for the works awarded on Kasho and tender respectively.

Auditee's response: *The Road Maintenance Section, Phuentsholing had requested the HQ,, DoR to respond on this issue. The RAA had not received the same as of date.*

Who is accountable?: *Kashos must be respected but the authority awarding the work must give due regard for economy and prudent management for expenditure that could be avoided.*

B. The Road Maintenance Section, Thimphu had incurred a total amount of Nu. 1.712 million for hiring different vehicles during the financial year 2000-2001 for various works as shown in the Table below:

Table 1.15 showing individuals/agencies whose vehicles were hired by the department on the basis of approval.

Sl. No.	Name of owner	Amount (Nu. Million)	Type of Vehicle
1.	Dorji Gyeltshen	0.091	Tractor
2.	Sonam Tobgay	0.118	Tractor
3.	Rinchen Dolma	0.256	Tractor
4.	Dorji	0.356	Truck
5.	Ugyen Thinley	0.142	DCM
6.	Tshering	0.278	Truck
7.	M/s Phub Brothers	0.026	Trippler
8.	M/s Wangdi Construction	0.425	Trippler
9.	Tenzin Dorji	0.020	Tractor
Total		1.712	

The above vehicles were hired on the approval basis and not in accordance with the General Government Directives. Therefore, hiring of vehicles without observing the hiring formalities had deprived the benefit of competitive rates.

Auditee's response: *Clarification has been sought from the Mechanical Cell for the above lapses.*

Who is accountable?: *Till the justification for not observing the tender formalities in hiring the vehicles is obtained, the approving authority is held accountable.*

7. Payment of residential telephone charges - Nu.0.080 million.

The Road Maintenance Section, Lobeyisa had paid the residential telephone charges of the officials amounting to Nu. 0.080 million from its LC account, which is highly irregular and inadmissible.

Auditee's response: *The management had submitted that the condition of the road network have to be communicated to higher authorities and to the public for information. The division was also responsible to look after flood protection work of Punakha Dzong, construction of Wangdue Zam & projects.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, the Finance Officer & the Executive Engineer are held accountable.*

8. Excess/over/double payment - Nu.1.593 million.

Various agencies under the Ministry had made payments amounting to Nu.1.593 million in excess of what was actually admissible. Agencies responsible for making such payments and amount actually paid are as given in the table below:

Table 1.16 showing excess/over/double payment made.

Sl. No.	Agencies responsible	Amount(Nu .Million)	Paid to:
1.	RMS, Phuntsholing	0.073	M/s Pema Dema Construction
2.	RMS, Lobesa	0.378	M/s Rinchen Daba Construction, M/s Welfare Construction Company, M/s Nima Construction Company, Mr. Nala
3.	City Corporation, Phuntsholing	0.038	M/s Chapcha Engineering Company.
4.	RMS, Trashigang	1.023	M/s Welfare Construction Company.
5.	City Corporation, P/ling	0.081	
	Total	1.593	

Brief detail of each instances are as under:

A. The Road Maintenance Section, Phuentsholing had made excess payment of Nu. 0.073 million to M/s Pema Dema Construction on account of adding cost index for the work of River Training Work, which was awarded on the work order basis. As per the BSR-2001, any rates calculated adding cost index shall not be used for making payments to contractors and shall be strictly as per the contract agreement only. The payment is not allowable and hence, the amount so paid is recoverable.

Auditee's response: *The management had requested the HQ, DoR to submit suiTable justification on this issue.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, the Executive Engineer is held accountable.*

B. The Road Maintenance Section, Lobeyssa had awarded the contract work for laying of base course to Rinchen Daba. During the physical verification of the road, it was found that an excess measurement was recorded in the measurement book resulting in excess payment of Nu. 0.186 million.

Auditee's response: *The management had submitted justifications only on the variations in the material consumption.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, the Executive Engineer is held accountable.*

C. The Road Maintenance Section, Lobeyssa had hired two excavators from M/s Welfare Construction Company and M/s Nima Construction Company for R/T works on the left bank of Phochu, Punakha and Road Improvement on Samtapana-Chuserbu & Dungdung-Nyelsa Lawala Highway respectively. On verification of the hire charges payment, it revealed that the over payment of Nu. 0.180 million was made to the contractor on account of payment for one extra hour rate for every 8 working hours.

Further, the overpayment of Nu. 0.012 was made to Mr. Nala, contractor for providing and filling hand packed stone in GI wire mesh. However, during the physical verification, it was noticed that the size and weight of the GI wire mesh was less and not to the specifications, resulting into overpayment.

Auditee's response: *The management submitted that payments were made in line with Hiring Agreement. With regard to overpayment to contractors efforts were put in to recover from the concerned contractor.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, the officer involved in executing defective hiring agreement and the site engineer for accepting GI Wiremesh of different specification are held accountable.*

D. The Phuentsholing City Corporation had made the excess payment of Nu. 0.038 million to M/s Chapcha Engineering Company Pvt. Ltd for the work of Package-6 (Up-stream left bank) on account of differences in the rates paid to the contractor and the actual rates worked out.

Auditee's response: *The RAA is informed that the corporation will write to the contractor to deposit the excess amount and the same shall be remitted to the Audit Recoveries Account.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, the site engineer who certified the claim & Thrompon are held accountable.*

E. The work of Security Force water supply at Ramitey was executed departmentally by City Corporation, Phuentsholing as Deposit work. The total fund received from the Royal Bhutan Army was Nu. 1.607 million against which an expenditure of Nu. 1.638 was incurred by the corporation resulting in excess expenditure of Nu. 0.081 million (including the balance Nu. 0.050 million as supervision charges).

Auditee's response: *We have already submitted the details of actual necessary bills/ vouchers to the Commander, Security Force, RBA, Phuentsholing for necessary settlement. This amount shall be deposited into Audit Recoveries Account.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, the dealing official is held accountable.*

F. The construction of Gomkora-Tomiyangtse road formation cutting was awarded to M/s Welfare Construction Company. On verification of the vouchers it revealed that while making the payments to the contractor the Road Maintenance Section, Trashigang had overlooked the contract documents and have made excess payment amounting to Nu. 1.023 million on account of not deducting the 5% rebate offered by the contractor.

Auditee's response: *The RMS, Tashigang had submitted that due to oversight the rebate amount was not deducted and assured that the same shall be deducted from the next running account bills.*

Who is accountable?: *The amount should be recovered and deposited into Audit Recoveries Account and till this is done, the Site Engineer is held accountable.*

9. Outstanding advances - Nu.2.042 million.

Agencies under the Ministry of Works & Human Settlement had in their books of accounts an amount of Nu.2.042 million lying outstanding against various officials and third parties. Summary of it is shown in the table below:

Table 1.17 showing agencies that has Outstanding advances

Sl. No.	Agencies responsible	Amount (Nu. Million)	Remarks
1.	RMS, Thimphu	1.036	Includes OBA of FY 1995-96
2.	RMS, Lobesa	0.792	OBA transferred from HQ
3.	City Corporation, P/ling	0.214	
	Total	2.042	

Auditee's response: *While some management had submitted that the letter has been sent to all the Units concerned asking for the deposit of old outstanding amount some had stated that an action would be put in to recover the old dues.*

Who is accountable?: *All overdue advances must be recovered with Commercial Interest of 16% p.a. and deposited into Audit Recoveries Account, the concerned Executive Engineers & Thrompon are held accountable.*

10. Inadmissible/irregular payment – Nu.0.020 million.

In the resurfacing of roadwork both at Tala-Raidak and Samtse-Sipsu road, the payment of Nu.0.020 million was made to the contractor for a segregated item of work “sweeping of road surface” which was neither found in the Bhutan Schedule of Rates (BSR) or in the coefficient book as a separate item. Therefore, it resulted into inadmissible payment.

Auditee's response: *The management had requested the HQ, DoR to submit suiTable justification on this issue.*

Who is accountable?: *The Executive Engineer & the site engineer are held accountable till the amount is fully recovered and deposited into audit recoveries account.*

11. Recoverable amount - Nu.0.120 million.

The Road Maintenance Section, Thimphu had paid the amount of Nu. 0.400 million to DGM, Ministry of Trade & Industry for carrying out soil investigation for Bailey bridge at TTC, Paro. However, the DGM had not executed the work at all and refunded Nu. 0.280 million leaving the balance of Nu. 0.120 million, which is recoverable.

Auditee's response: *The letter is forwarded to the Director, DGM asking for the justification as to why the balance amount has not been deposited.*

Who is accountable?: *The amount with commercial interest be deposited into Audit Recoveries Account, the finance officer of RMS, Thimphu and the Director, DGM is held accountable.*

12. Non deduction of transportation Charges - Nu.0.015 million.

The Excavator 320B belonging to M/s Welfare Construction Company, Trongsa was hired by the Road Maintenance Section, Lobeysa for the R/T works at Phochu, Punakha. However, the transportation charges amounting to Nu. 0.015 million was not deducted from the bill payments to the contractor as the RMS, Lobeysa had transported the machine from Trongsa to Punakha. Besides, it was also agreed that the transportation charges will be borne by the hirer.

Auditee's response: *The management had submitted that it has rechecked all the relevant disbursement vouchers and found that payment has not been made.*

Who is accountable?: *Till the amount is fully recovered and deposited into Audit Recoveries Account, the Site Engineer who certified the bill is held accountable.*

12. Non - realization of hire charges - Nu.0.234 million.

The Phuentsholing City Corporation had not realized the hire charges amounting to Nu. 0.111 million for the hire of Pneumatic Road Roller of 8-10 from the following parties.

Table 1.18 showing third party agencies liable for paying hire charges.

Sl. No.	Name of the parties	Amount (Nu. Million)
1.	M/s Yangkhil Construction	0.004
2.	M/s Druk Chapchap Engineering	0.033
3.	Secretary, PSA	0.002
4.	M/s Druk Seed Corporation.	0.019
5.	M/s Tshela Construction.	0.030
6.	M/s Dekeeling Builders	0.012
7.	M/s S. N Construction.	0.003
8.	M/s Lhojong Construction.	0.008
Total		0.111

Further, the shed rents amounting to Nu. 0.123 million lying outstanding against the lessees. It was noticed that an outstanding amount of Nu. 0.045 million pertained to financial year 2000-2001 for which no initiatives were taken to realize the amount.

Auditee's response: *The RAA is informed that the efforts would be made to recover the outstanding due from the parties and deposited into the Audit Recoveries Account. The PCC had written letters to all the concerned shed owners to clear their outstanding dues within 31st December 2002.*

Who is accountable?: *The amount with Commercial Interest be deposited into Audit Recoveries Account. The official responsible is held accountable.*