

Chapter IX Ministry of Foreign Affairs

The Royal Audit Authority during the year had issued 3 Inspection Reports pertaining to Permanent Missions and Embassies abroad under the Ministry of Foreign Affairs. The following officials headed the Ministry and departments under it during the year 2004:

Sl.No	Name	Designation
1.	Lyonpo Khandu Wangchuk	Minister
2.	Aum Neten Zangmo	Secretary
3.	Lyonpo C.Dorji	Ambassador, RBE Bangkok, Thailand
4.	Lyonpo Dago Tshering	Ambassador, RBE, New Delhi, India
5.	Dasho Jigme Tshultrim	Ambassador, RBE, Dhaka, Bangladesh
6.	Dawa Penjo	Ambassador, PMB, New York, USA
7.	Tshering Wangdi	Ambassador, RBE, Kuwait
8.	Sonam T Rabgye	Ambassador, PMB, Geneva, Switzerland
9.	Thinley Penjor	Director, Multilateral Division
10.	Yeshi Dorji	Director, Bilateral Division
11.	Pema Wangchuk	Deputy Secretary, AFD

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

Table 1.26 showing the observations in brief with category code and amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding advance	15.083	51.61	1
2.	Irregular payment	10.172	34.80	8
3.	Non levy of liquidated damages	3.375	11.55	11
4.	Over payment	0.596	2.04	6
	Total	29.226	100.00	

Major findings:

1. Irregular payment – Nu. 10.172 million

The Royal Bhutanese Embassies under the Ministry of Foreign Affairs had made the irregular payment of Nu. 10.172million as shown by the table below:

Table 1.27 showing the agencies which had made irregular payment.

Sl. No	Embassy	Amount (Nu. Million)	Remarks
1.	RBE, Kuwait	0.243	Inadmissible Special pay
		0.268	Inadmissible RG
2.	PMB, New York	1.269	Inadmissible monthly furniture allowance
		0.655	Payment for 40 feet container & 3 trucks
		0.660	Payment for water, electricity and gas charges on behalf of staff
		1.677	Residential telephone charges/cell phones/cable bills
3.	PMB, Geneva	3.208	Residential telephone/electricity charges
		0.442	Payment of parking fees for private cars
		1.750	Inadmissible payment of school fees, children education allowance, etc
	Total	10.172	

A. The Royal Bhutanese Embassy, Kuwait had made a special pay to Karma Choden amounting to Nu.0.243 million in contravention to the pay scale of the local recruits of the Mission structured by the Royal Civil Service Commission. This payment was made after reaching the maximum pay scale.

Auditee's response: *The RAA was informed that Karma Choden has worked in the Embassy for over 21 years and has exceptional record in terms of the satisfactory performance. He has looked after government vehicle well leading to low*

maintenance cost. Far beyond his official duties, Karma has developed valuable knowledge of all the important personalities here as well as the local customs and traditions and that due to his polite and pleasing personality he gets along well in all the Kuwait Government departments and is effective in obtaining necessary permit and clearances rapidly from them

Who is accountable?: *Such irregular payment may either be regularized from the competent authority or deposit with commercial interest of 16% p.a into Audit Recoveries Account. The responsibility to do so is fixed on Dasho Tshering Wangdi, former Ambassador.*

B. Dasho Tshering Wangdi, former Ambassador was paid Representational Grant (RG) amounting to Nu. 0.268 million while he was on leave for two months. The Foreign Service Rules and Regulations does not permit the payment of RG while one is on leave.

Auditee's response: *The RAA was informed to withdraw the observation as the Ambassador had claimed the proportion of RG in conformity with these new rules.*

Who is accountable?: *The RG paid during the home leave passage should be deposited into Audit Recoveries Account. Former Ambassador is held responsible to do so.*

C. In deviation to the Bhutan Foreign Service Rules and Regulations the Permanent Mission of Bhutan to the United Nation in New York has been paying its diplomats monthly furniture allowance at the rates fixed at the mission level. Such irregular payment for the last three financial years amounting to Nu.1.269 million stands recoverable.

Auditee's response: *The Mission had submitted the advantages of such a practice. The mission does not have to make a big one time investment on furniture, does not have to bear additional cost of maintaining/replacing furniture and that it saves on accounting works including the need to maintain a furniture stock register for officers.*

It was also submitted that around 1996, the Mission decided to convert the rental into furniture allowance giving officers the option to rent or buy furniture of their own choice; even to procure with additional money of their own. This was done without any additional financial burden on the Mission.

Who is accountable?: *The justification is not in accordance to the standing Foreign Service Rules. Therefore, the amount should be deposited into Audit Recoveries Account for which the Permanent Representative and Sangay Zangmo, Deputy Chief Finance Officer is held accountable to do so.*

D. The Permanent Mission of Bhutan to the United Nation in New York had admitted claims on carriage of personal effects to its officers while on transfer to Head quarter. The claims admitted were not in accordance to the entitlements as enshrined in the Foreign Service Rules and Regulations. Such irregular payment amounted to Nu.0.655 million. The officials were entertained 40 feet container instead of 20 feet container and three trucks instead of two trucks.

Auditee's response: *It was submitted that the two trucks allowance applies only in the case of transfer between stations connected by road transport route and no specific number mentioned in the case of transfers not connected by direct road transport routes.*

As for the 40 feet container approval was accorded by the Head of the Mission and the Ministry of Foreign Affairs, Thimphu.

Who is accountable?: *Until such time the amount is deposited into the Audit Recoveries Account Sangay Zangmo, Chief Finance Officer is directly held accountable.*

E. The Permanent Mission of Bhutan to the United Nation in New York paid equivalent Nu.0.660 million on account of residential utility bills such as electricity, water and gas charges. Out of Nu. 0.660 million, Nu. 0.271 million were paid to various agencies on account of residential utility bills and Nu. 0.389 million were paid for utility charges for the office building including utility charges for two residential apartments located in the same building. Payment of such nature is neither in line with the Financial Rules and Regulations 2001 nor with Foreign Service Rules and Regulations.

Auditee's response: *It was submitted that the payment of sewerage/water and gas bills averaging about \$ 300/- a month was approved by the Ambassador in view of the cost savings in rent to the Mission as rental of property in Queens for the officer concerned was \$ 3100 per month.*

Who is accountable?: *The amount must be deposited into Audit Recoveries Account and the responsibility to do so is fixed on Sangay Zangmo, Deputy Chief Finance Officer.*

F. The Permanent Mission of Bhutan to the United Nation in New York had incurred an expenditure of Nu.1.677 million on account of residential telephone charges/cell phones/cable bills. The payment of such nature is in contravention to the circular issued by the Ministry of Finance.

Auditee's response: *With regard to residential telephone bills the RAA was informed that it was not possible to prevent the officers from using the residential telephones for doing part of their reporting and consultation work from homes due mainly to the time difference between New York and Bhutan and other countries where other Bhutanese embassies and Missions are located. Therefore in order to prevent misuse while at the same time not hamper work, the mission imposed restrictions on use of residential telephone bills for overseas calls and in lieu started providing phone cards.*

With regard to cell phones it was submitted that it is no longer a luxury but a necessity and that due to the wide spread use of cell phones, most discussions & consultations take place on cell phones. It would be difficult and even awkward for our officers not to have cell phone facilities when their colleagues in other Missions increasingly use cell phones to conduct business.

With regard to payment of cable bills it was submitted that the mission has been paying the cable bills which would have been done on the basis of approval of the Ministry.

Who is accountable?: *The inadmissible payment must be deposited into Audit Recoveries Account and the responsibility to do so is fixed on Daw Penjo, Permanent Representative and Sangay Zangmo, Deputy Chief Finance Officer.*

G. The Permanent Mission of Bhutan, Geneva had made irregular payment of CHF 64,637.67 (Nu. 2.503) and US \$ 15,579.96 (Nu. 0.705) on account of residential telephone and electricity bills in deviation to circulars issued by the Ministry of Finance.

Auditee's response: *PMB Geneva serves both as a representative of Bhutan to the UN and European Capitals, as well as an Embassy covering entire of Europe including 7 capitals to which the Embassy is accredited. All this translates into a multifarious nature of work. While carrying out its duties the Mission had the practice of paying residential telephone bills of its officers who have to carry out timely and politically-sensitive work with all its contacts in different cities and time zones. In addition, there is the time difference between Geneva and Thimphu and our other embassies and missions, which necessitates numerous telephone calls from the residence. Recognizing this inconvenience and reality former Kutshab kindly approved the use of residence telephones for each officer within reasonable limits.*

Who is accountable?: *All officers are entitled for reimbursement if calls made are duly verified as official calls. Since this was not followed all calls made are presumed private. Therefore, whole of the amount must be deposited into Audit Recoveries Account and the responsibility to do so is fixed on Sonam Tobgay, Finance Officer.*

H. The PMB, Geneva had made inadmissible payment of CHF 11,414 (Nu. 0.442) on account of parking fees for the privately owned cars.

Auditee's response: *Since there are no free parking spaces in Geneva in and around residential / office areas, one has to rent parking spaces for all cars in the same manner that one rents an apartment or house. The Mission has been renting parking space for its office cars as well as for the cars of the officers as and when officers have taken the trouble and expenses to purchase their own vehicle in order to facilitate their work.*

Who is accountable?: *The reply is not tenable as there is no rule allowing such payments. Therefore, the amount must be deposited into Audit Recoveries Account and the responsibility to do so is fixed on Sonam Tobgay, Finance Officer.*

I. The PMB, Geneva made irregular payment amounting to CHF 5,500.00 (Nu. 0.213 million) on account of school fees for the kutshab's daughter in deviation to rules in force. Inadmissible payments also were made on account of DSA to Non-member of the Mission amounting to US \$ 1,000.00 (Nu. 0.045 million) Representational Grant & Foreign Allowance during leave amounting to US \$ 12,685.00 (Nu. 0.574 million) Children Education Allowance amounting to US \$ 1,560.00 (Nu. 0.701 million) after completing higher secondary education, Satellite Sky card amounting to CHF 4,620.00 (Nu. 0.179 million) over and above the entitlement, actual food & lodging expenses amounting to US \$ 349.59 (Nu. 0.016 million) and air fare amounting to CHF 1,722 (Nu. 0.067 million) relating to spouse of Kutshab accompanying his visit to other countries without prior approval of the Head of the Ministry.

Auditee's response: *Payment wise response as submitted is reproduced below:
Under the Foreign Service Rules (1985) CEA is admissible for children between 5-20 years. My daughter, Ms. Sonam Deki Kesang has claimed this educational facility provided by RGoB since her birth date is 9th May*

1982. As stated earlier, the new rule under BCSR 2002 was promulgated by RGOB/RCSC in early 2003 only. Hence the issue of its inadmissibility prior to this date may be reconsidered as all the above mentioned transaction related to the account had taken place in keeping with existing rules then.

As per the command Kutsab's wife (Aum Sangay Choden) accompanied the Royal entourage in Europe. Kutsab was unable to accompany the Royal entourage. A male officer was sent to ensure that the program went smoothly. While undertaking such travel/duty with VVIPs, DSA of US \$ 1000 is provided to members of the Royal delegation. This entitlement is similar to travels within and outside Bhutan for members accompanying VVIP delegation.

Foreign Allowance supplements the salary when an officer is on posting to a mission/embassy. It is therefore an integral part of the salary akin to the full salary drawn by the civil servants in Thimphu when they are on earned leave. Moreover, some expenses for services at an apartment building, where the facilities are centralized, continue to be incurred despite the absence of the resident. Also in some cases the officer has dependent family members who do not travel on home leave and continue to stay at the place of posting thus incurring continued expenses. With regard to the payment of Representational Grant, it may be noted that the Foreign Service Rules and Regulations and subsequent instructions from the Foreign Ministry provide for accounting of 50% and carrying over of any excess expenditure above the 50%. Very often, especially in an expensive place like Geneva, an officer routinely spends well over the RG to entertain counterparts and other contacts. Such representational activities do not stop when an officer avail home leave, as this is a valuable opportunity to renew contacts with relevant counterparts. Therefore, the deduction of RG during leave does not make any practical sense, neither is it provided for in the Foreign Service Rules.

As payment of Children Education Allowance is not an entitlement as per the Foreign Service Rules 2002, an amount of US\$ 1,560 will be refunded

It is a fact that TV news coverage in Switzerland is only in the local languages i.e. French, German and Italian. In order to receive English news of current affairs particularly related to Europe and International developments, the Kutshab in Geneva has to rely on Satellite television connection. Such facilities enable the PMB to follow current news and happenings and report to RGOB on matters of interest and urgency. This TV satellite is therefore an important source of information and a necessity besides also providing entertainment for the VIPs and senior visiting dignitaries.

The cost of US \$ 349.59 incurred at Royal Bhutanese Embassy Guest House, New Delhi for Kutshab and family was settled by PMB with RBE as per prior arrangement between the Embassy / Mission. No separate claim for DSA or refund was made for this purpose. During the transfer, Kutshab had to travel separately in advance as per the instructions of RGoB.

Firstly, spouses are expected to accompany the Ambassador to important functions in keeping with the diplomatic norms and practice. In fact, this responsibility is more demanding in Geneva compared to other embassies and missions as PMB is accredited to seven countries and the European Union. In addition to the usual diplomatic functions Kutshab had to participate in other functions such as Expos, Bhutan exhibitions, Bhutan Friendship Society events, visit by VVIP and other VIP delegations to capitals in Europe. Secondly, it is the mandate of the Kutshab and PMB to promote Bhutan's relations with all countries in Europe. Towards this end, the participation of PMB at such functions and events despite best efforts is the minimum given the fund constraint and the small size of the mission staff strength. Thirdly, there has been a practice in PMB since early 1980's that the spouse of the Kutsab should accompany to attend the function provided the cost of travel is not more than the actual cost of business class as entitled to the Kutshab. Accordingly, both the Kutshab and his spouse sometimes travel by air on economy class on such occasions. Fourthly, when the spouse travels with the Ambassador on official duty to attend functions in other European capitals, no DSA is paid separately for the spouse as it is not entitled. Hence, both the persons have to manage on DSA paid for one. Thus, expenditure for such undertakings is therefore often not adequate and Kutsab must cope given the importance of the event such as the Queen of Netherlands and Denmark's Annual Dinner, President of Finland, Norway and Austria's National Day Dinner etc. Fifthly, the spouse of Kutshab is once in a while required for duty of VVIP based on directives of higher authorities. On such duties only the DSA is paid and that too when Kutshab is not available due to other pressing engagements in Geneva or in other European Capitals. Other directives on movement of VVIPs are conveyed at the last minute and arrangements have to be made at short notice. Protocol services have to be made for transit halts in Paris or other capitals in Europe for VVIP movement. Therefore this entails travel and related cost to the PMB account.

Who is accountable?: *Replies are noted but since there are no rules allowing all such above payments. The amount must be deposited into Audit Recoveries Account. However, the travel of the spouse of Kutshab accompanying the Royal entourage to Europe is dropped. The responsibility is fixed on H.E. DASHO BAP KEZANG, Former Kutshab and Sonam Tobgay, Finance Officer.*

2. Over payment due to incorrect application of conversion rates - Nu. 0.596 million

The Royal Bhutanese Embassy, Kuwait had over paid an amount of Nu.0.596 million due to application of conversion rates in contravention to the circular issued by the Ministry of Finance.

Auditee's response: *The RBE, Kuwait had informed the RAA that the Embassy would apply the conversion orders with immediate effect.*

Who is accountable?: *The overpayment should be deposited into Audit Recoveries Account and the responsibility to do so is fixed on the H.E. Tshering Wangdi, Former Ambassador.*

3. Outstanding advance – Nu. 15.083 million

Some of the Embassies had outstanding advance of Nu. 15.083 million as shown in the table 1.28:

Table 1.28 showing agencies which had not adjusted the advances.

Sl. No.	Agency	Amount (Nu. Million)	Remarks
1.	RBE, Kuwait	0.220	
2.	PMB, New York	14.358	Nu.8.140 million pertained to FY 1985 & before.
3.	PMB, Geneva	0.505	
	Total	15.083	

A. The Royal Bhutanese Embassy, Kuwait had in their books of accounts an amount of Nu.0.220 million lying outstanding against various officials of the Royal Government and some outstanding amount dated as far back as 1989.

Auditee's response: *The Secretariat, Ministry of Foreign Affairs was requested to look into and pursue the matter.*

Who is accountable?: *H.E. Tshering Wangdi, Ambassador is held accountable to pursue the adjustment or deposit the amount into the Audit Recoveries Account at the earliest with commercial interest of 16% p.a.*

B. The Permanent Mission of Bhutan to the United Nation, New York had in their books of accounts a sum of Nu. 14.358 million lying as outstanding against diplomats, local recruits, agencies and others. Some of the amounts were advanced as early as 1991-1992. This is a strong indication of a weak financial control system in the mission.

Auditee's response: *The Mission had submitted that many of these advances pertained to the period before 2000 and that relevant documents for these advances which have accrued during the services of several Finance Officers are difficult to find.*

Who is accountable?: *H.E Daw Penjo, Permanent Representative and Sangay Zangmo, Deputy Chief Finance Officer is held responsible to either adjust or deposit the amount into Audit Recoveries Account.*

C. The PMB, Geneva also had unrealized advance of CHF 6,247.70 (Nu. 0.242 million) and US \$ 5,820.27 (Nu. 0.263 million) against officials and other parties.

Auditee's response: *The RAA was informed that US \$ 584.05 was received and taken into account.*

Who is accountable?: *The amount must be adjusted or deposited into Audit Recoveries Account and the responsibility to do so is fixed on H.E Dasho Bap Kesang, Ambassador and Sonam Tobgay, Finance Officer.*

4. Non-levying of liquidated damages US \$ 75,000 (Nu. 3.375 million)

The Permanent Mission of Bhutan to the United Nation, New York had awarded the construction of the Mission building to M/s Alexander Wolf & Son Company whereby the terms and conditions stipulated that in the event of delay, the contractor would be liable for liquidated damages of US \$ 25,000.00 for every month of delay. However, the same penalty was not found imposed for a delay of 3 months.

Auditee's response: *It was submitted that the committee has submitted several reports on this matter to the Royal Government. It was stated that the Mission's lawyer*

advised against taking the matter to arbitration or court as it would constitute a waiver of the Mission's immunity. This implies that, should the arbitration award or court decision be favor of the contractor it would be enforceable through the court, which would not be in the Mission's interest.

Who is accountable?: *The deductions should have been made prior to making the payment of contracts bills. Tshering Gyeltshen Penjore who is responsible for the construction is held accountable for the lapses.*