

Chapter XIV Armed Forces

I. Royal Bhutan Army

The Royal Audit Authority during the year had issued 2 inspection reports of the Royal Bhutan Army. The following personnel in the various capacities headed the Royal Bhutan Army in the year 2004:

Sl. No.	Name	Designation
1.	Goongleon Gongma Lam Dorji	Chief of Operations Officer
2.	Lt. Col. Sonam Tshering	Defence Accounts Officer
3.	Sangay Wangdi	Deputy Chief Finance Officer

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

Table 1.38 showing the summary of the observations by category code and the amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding advances	4.461	60.81	1
2.	Release of payments without adjustments of advance	1.100	15.00	1
3.	Shortage of rations	0.903	12.31	10
4.	Non deduction of liquidated damages	0.272	3.71	11
5.	Shortage of cash	0.188	2.56	10
6.	Shortage of hire charges	0.106	1.44	10
7.	Non settlement of accounts	0.100	1.36	1
8.	Irregular diversion of funds	0.083	1.13	16
9.	Inadmissible payment	0.077	1.05	8
10.	Shortage of ration sale proceeds	0.046	0.63	10
	Total	7.336	100.00	

Major findings:

1. Inadmissible payment – Nu. 0.077 million

Payment of rental charges of residential telephone bills from the office had been stopped vide circular no. MF/GEN/99/4089 dated 31st May 1999 of the Ministry of Finance. However, in contravention to the circular, rental charges of Nu. 0.077 million for the period 01/07/02 to 20/06/03 in respect of officials in AHQ, Wings and Locations were borne by the Government.

Auditee's response: The RAA was given the approval accorded by Hon'ble Gongleon Gongma.

Who is accountable?: Unless the approval is endorsed by MoF it cannot be accepted in audit.

2. Outstanding advances – Nu. 4.461 million

Table 1.39 showing the agencies which had not adjusted the advance.

Sl No	Agency	Amount (Nu. Million)
1.	AHQ, Luntenphu	4.429
2.	MTC, Tencholing	0.005
3.	RBA, Dewathang	0.027
	Total	4.461

A. Scrutiny of the sub ledger for the financial year 2002-2003 of the AHQ, Lungtenphu revealed outstanding advance of Nu 4.429 million against Wings/Locations and officials of RBA. Further, it was noticed that subsequent advances were paid to the officials prior to liquidation of the previous advances in defiance to the financial rules.

Auditee's response: *Response awaited.*

Who is accountable?: *Recoveries/adjustments must be initiated at the earliest under intimation to RAA. Failing which the accountability is fixed on Lt. Colonel Penden Wangdi, Defense Accounts Officer.*

B. A sum of Nu. 0.005 million was lying outstanding against officials and troops of the Military Training Center (MTC), Tencholing. The RBA should take necessary steps to recover the outstanding advances.

Auditee's response: *Response awaited.*

Who is accountable?: *The outstanding advance should be deposited/adjusted within the stipulated time to avoid further accumulation.*

C. The Royal Bhutan Army, Dewathang had the outstanding amount of Nu. 0.027 million unadjusted from the officials .

Auditee's response: *The management submitted that the amount of Nu. 0.017 million has been deposited into Audit Recoveries Account and the amount of Nu. 0.026 million would be adjusted after the repair of the generator set and the amount of 0.024 million would be written off after forming the board of officers.*

Who is accountable?: *Till the necessary adjustments are made and the RAA intimated, the accountability is fixed on the concerned Drawing & Disbursing Officer.*

3. Non-settlement of accounts - Nu.0.100 million

A sum of Nu. 0.100 million was released to Major Navin Gautam from Pre-cast Stone Masonry Block (PSMB) account to purchase a golf set for official gift of RBA. However, the amount has not been refunded into the PSMB account that tantamount to misappropriation and diversion of funds.

Auditee's response: *Appropriate response waited.*

Who is accountable?: *Initiative must be taken to realize the amount under intimation to RAA. The accountability is fixed on Major Navin Gautum.*

4. Release of payments without adjustments of advances - Nu 1.100 million

M/s Pinewood Builders was awarded the work of the construction of Chief Operation Officer's (COO) Office at the Army Headquarters at Lungtenphug for Nu. 2.720 million. The mobilization advances of Nu. 1.510 million paid for phase II construction at Command Centre, Dewathang was taken into account as mobilization advance for the construction of COO's Office. Out of Nu 1.510 million, a sum of Nu. 0.410 million only had been adjusted vide 1st and 2nd Running Bill Account (RAB) leaving a balance of Nu 1.100 million. On submission of the 3rd Running Bill Account, the firm requested the AHQ, Lungtenphug to release the 3rd Running Bill in full. The remaining mobilization advances of Nu 1.100 million was requested to be recovered from the retention and final bill for the construction of 07 blocks family quarters at Ramitey, Phuntsholing, which was accordingly consented by the former Dy. COO, Brigadier Chunjur Dorji on 25/10/2002.

Again on submission of the final bill for the construction of COO's office, the firm again requested that bill be released in full and the balance amount Nu.1.100 million to be recovered from the final bill of the Family quarter construction in Ramitey.

However, on release of final payment of Nu 1.520 million for the construction of 07 blocks family quarters at Ramitey, the balance advances of Nu 1.100 million have not been recovered. Further more, retention money of Nu. 1.820 million were released without deducting the advances.

Auditee's response: *Response awaited*

Who is accountable?: *Proper justifications must be provided for non-realization of the amount. The amount must be deposited into the Audit Recoveries Account failing which the accountability will be fixed on Colonel Sangay Penjor, Deputy COO and Major Sonam Dorji, OC, Constructions.*

5. Non deduction of liquidated damages - 0.272 million

As a substitute work of Phase II construction at Command Centre, Dewathang, M/s Pinewood Builders was awarded the construction of the COO's office at Army Headquarters, Lungtenphug amounting to Nu. 2.72 million. As per the work order the work was to be completed within 6 months from the date of issue of the work. However, the work could not be completed on time. The work was delayed by 296 days. The contractor had applied for time extension. The DY. COO due to the hindrances at site granted a time extension of 215 days. However as per the hindrance register, it stated that no Reinforcement Cement Concrete (RCC) and cement works could be carried out for 41 days owing to severe cold. However, as per the cement issue register, works were carried out. Further, a time extension of 39 days were granted due to rainfall and snowfall, but scrutiny of the cement issue register revealed that cement works were carried out.

As a result the liquidated damages are calculated as below:

Total No. of days delayed	296 days
Less: Hindrances admissible (215-41-39)	135 days
No. of days liable for liquidated damages	161 days

Liquidated damages @ 2% of the contract amount for each month is

$$\text{Nu.2.7 million} \times \frac{2}{30} \times 161 = \text{Nu 0.292 million}$$

$$30 \quad 100$$

However, as per the Financial Manual 1988, liquidated damages should not exceed 10% of the contract price. Therefore the liquidated damage recoverable is

$$\text{Nu. 2.72million} \times 10\% = \text{Nu 0.272million}$$

Auditee's response: *Response awaited.*

Who is accountable?: *The liquidated damages must be deposited into the Audit Recoveries Account and the accountability to do so is fixed on Major Sonam Dorji, OC, Constructions.*

6. Shortage of ration sale proceeds – Nu. 0.046 million

During the tenure of Captain Tshewang Rinzin as Quartermaster at Wing-V, Shaba, a sum of Nu 0.188 million was collected as sale proceeds from rations for the period from April 2003 to August 2003. However, only a sum of Nu 0.142 million was deposited leaving a balance of Nu 0.046 million.

Auditee's response: *Response awaited.*

Who is accountable?: *The remaining balance of sale proceeds should be deposited into Audit Recoveries Account. The accountability to do so is fixed on Major Tshewang Rinzin.*

7. Shortage of rations - Nu. 0.903 million.

A. Physical verification of ration stores at the AHQ, Luntenuphu revealed shortages worth Nu. 0.825 million.

Auditee's response: *AHQ, Luntenuphu submitted that in obedience to convening order no. 503/Q (Accts)/73 dated 26 march 2003 and no. 503/Q(Accts)/79 dated 14 Jan. 2004, a Board of officers carried out the case study on the pattern of losses on the date collected for three years. The permissible loss percentage then came into effect from 1st April 2004. However it did not cover the shortages pertaining to the earlier period. As discussed in then exit conference on 13th July 2004, chronological events as desired along with calculated sheets after applying the permissible losses were submitted. AHQ requested that the shortages of the previous year and shortages worth Nu. 0.825 million to be considered through the existing permissible loss.*

Who is accountable?: *The shortages should be recovered from the responsible officials. The accountability to do so is fixed on Lt. Col. Tika Ram Rai.*

B. The physical verification of the ration store of Wing V, Shaba revealed shortages worth Nu. 0.078 million.

Auditee's response: *Response awaited.*

Who is accountable?: *The cost of shortages to be deposited by the concerned officials into the Audit Recoveries Account otherwise the accountability is fixed on Major Tshewang Rinzin.*

8. Shortages of hire charges - Nu. 0.106 million

The Motor Transport Workshop (MTW), Samarzingkha hired out two recovery vans to private parties at the rate fixed by RBA. Verification of the records revealed shortages of Nu. 0.106 million on account of the following:

- a) Non deposit of hire charges Nu. 0.069 million.
- b) Outstanding hire charges of Nu. 0.019 million.
- c) Recovery vehicle rendered but charged not realized Nu 0.018 million.

Auditee's response: *Response awaited.*

Who is accountable?: *The hire charges should be deposited into Audit Recoveries Account. The accountability is fixed on Lt. Col. Rinzin Dorji, MTO.*

9. Irregular diversions of pensioner's fund - Nu. 0.083 million

Pensioners fund of Wing V Shaba, amounting to Nu. 0.068 million were paid to Tshewang Dorji, firewood supplier and Chuma Wangchuk. However, adjustments were made for Nu 0.008 million leaving a balance of Nu 0.060 million. Furthermore a sum of Nu. 0.023 million were paid as advances to the officials. This has resulted in reduction of fund balances to the tune of Nu. 0.083 million.

Auditee's response: *Appropriate response awaited.*

Who is accountable?: *The unauthorized and irregular diversion of funds should be deposited into the pensioners' fund. The responsibility is fixed on Major Tshewang Rinzin.*

10. Shortage of cash - Nu. 0.188 million

Upon the physical verification of the cash balance of the internal funds of Military Training Centre (MTC) Wing –VI, Tencholing on accounts pertaining to RBA sawmill, sale of recruits excess ration, café fund, vegetable shop, tailor and barber shop, Nu. 0.188 million cash was found short.

Auditee's response: *The MTC submitted that the cash shortage was figured as the cash book was not closed during the handing/taking of accounts form Maj. D.S Wakhley. The handing/taking was done as per the ledger balance and not as per the cash book. The concerned official was called for settlement of accounts but was involved in VVIP visits at Damthang. The MTC informed that RAA would be intimated after the settlement of accounts.*

Who is accountable?: *The cash shortage of Nu 0.188 million should be recovered from the concerned dealing officer Major Gyem Thinley, Second in Command and be deposited into the respective accounts beside taking administrative action deemed necessary.*