

# 6

## DETAILED FINDINGS

### BUDGETRAY AGENCIES - MINISTRIES AND DEPARTMENTS

#### 6.1 Ministry of Agriculture

During the period, the Royal Audit Authority had issued thirty nine audit reports of the Ministry of Agriculture and its departments, divisions and units. Out of the two hundred and eighty eight observations amounting to Nu.71.870

million pointed out in the reports, one hundred and sixty five observations amounting to Nu.52.208 million were settled. The total unresolved significant irregularities amounted to Nu.13.604 million as summarised below:

| Sl. No. | Observations in brief             | Nu. in Million | Category Code |
|---------|-----------------------------------|----------------|---------------|
| 1       | Fraud, Corruption & Embezzlement  | 3.648          | 1 & 2         |
| 2       | Mismanagement                     | 0.534          | 3             |
| 3       | Violation of Laws and Rules       | 1.607          | 4             |
| 4       | Shortfalls, Lapses & Deficiencies | 7.815          | 5             |
|         | <b>Total</b>                      | <b>13.604</b>  |               |

#### 1 Fraud, Corruption and Embezzlement – Nu. 3.648 million

There were cases of strong indicators of fraud, corruption and embezzlement involving Nu.3.648 million as summarised hereunder:

| Sl. No | Observation in brief                             | Nu in Million | Para No               | Who are accountable?  |
|--------|--|---------------|-----------------------|---|
| 1.1    | Misappropriation of funds                        | 1.752         | 1;1.1                 | Namgay Wangdi, Accounts Assistant and Sacha Dorji, Chief Forestry Officer Sangay Wangchuk, Accountant, Sonam Wangchuk, Former Park Manager and Nawang Norbu, Chief Forestry Officer   |
| 1.2    | Acceptance of equipment with wrong specification | 1.254         | 2.3; 3;6              | Jamyang Phuntsho, Chief Lab. Officer; Karma Dorji, Executive Director; Karma, Adm.; Sonam Wangyel Wang, CFO; Rinzin Penjor, Store Incharge and Sonam Tshering, Chief Forestry Officer |
| 1.3    | Fictitious payment                               | 0.227         | 1 A(i); 2.41; 3;2.1;2 | Kinga, Engineer; Passang W. Norbu, CFO; Dorji Rinchen, Marketing Officer; Chimi Tshering, Marketing Officer; Sonam Tshomo, Jr. Extension Officer; Karma Chopel, Accountant; Anil      |

|     |   |              |           |   |
|-----|---|--------------|-----------|---|
|     |   |              |           | Ghalay, Accountant; Sonam Wangdi, Chief Administrative Officer; Sangay Chewang, Chief Marketing Officer, Wangda Dukpa, Research Officer; Dr. Tashi Dorji, Program Director; Dipendra Ghalay, Accounts Officer and Sither Dorji, Divisional Forestry Officer |
| 1.4 | Short account of cash   | 0.108        | 1.2       | Sangay Wangchuk, Accountant and Nawang Norbu, Chief Forestry Officer  |
| 1.5 | Payment for material not received                                     | 0.130        | 1; 2.1    | Mindu, Adm. Officer; Dr. Tashi Dorji, Program Director; Dr. Jambay Dorji and Sangay, Program Director   |
| 1.6 | Payment for works not executed  | 0.125        | 4; 6; 1.1 | Sither Dorji, DFO; Tshewangla, DCA; Thrinang Wangdi, Sr. Lab Technician and Dr. Jambay Dorjee, RVO  |
| 1.7 | Unrealistic payment   | 0.038        | 1D        | Kinga, Engineer and Passang W. Norbu, CFO   |
| 1.8 | Payment of travelling and daily allowances during casual/earned leave | 0.014        | 1         | Gomchen Dukpa, DCFO   |
| 1.9 | Use of inferior quality of Corrugated Galvanised Iron (CGI) sheet     | -            | 1.1       | Thinley Gyeltshen, Dy. Ex. Engineer and Karma Dorji, Executive Director   |
|     | <b>Total</b>  | <b>3.648</b> |           |   |

The cases are explained below:

### ***1.1 Misappropriation of funds – Nu.1.752 million***

- a) The Divisional Forest Office, Sarpang had cases of misappropriation of funds amounting to Nu.1.328 million. The misappropriation was carried through non deposits of Government revenue, excess and fictitious booking of expenditure, double payments, short or non- accountal of cash/funds, erroneous adjustment of advances and less carry forward of unadjusted advances. However, an amount of Nu.1.014 million had been later recovered and deposited into Audit Recoveries Account (ARA). The Ministry had also constituted a committee to review and recommend the management for appropriate action on the issue.
- b) The Accountant of Thrumshingla National Park, Ura had misappropriated Nu. 0.424 million during the financial year 2004-2006. The case has been forwarded to the Royal Court of Justice, Bumthang.

### ***1.2 Acceptance of equipment with wrong specifications – Nu.1.254 million***

- a) The Bhutan Agriculture & Food Regulatory Authority (BAFRA) had accepted laboratory equipment worth Nu. 1.254 million from M/s Karma Tshongkhang which did not conform to the specifications detailed in the

supply orders. Neither the recovery nor any action had been taken against the responsible official and the supplier.

- b) The Jigme Singye Wangchuck National Park, Trongsa had accepted 3 Dell Optiplex 170L computers from M/s Gyelyong Enterprises, Thimphu having 256 MB RAM as against the specification of 512 MB RAM stipulated in the supply order. Neither the recovery nor any action had been taken against the responsible official/s and the supplier.

### **1.3 Fictitious payment – Nu.0.227 million**

- a) The Divisional Forest Office (DFO), Samtse had made fictitious payment of Nu. 0.143 million to M/s Gado Construction in the construction of Divisional Forest Office at Lichibari, Samtse. Neither the recovery nor any action had been taken against the responsible official and the contractor.
- b) The Secretariat had made travelling and daily allowances payments of Nu.0.037 million to its officials/staff for tours not performed as evident from the Daily Attendance Registers. Neither the recovery nor any action had been taken.
- c) The Divisional Forest Officer, Mongar had claimed an amount of Nu. 0.023 million on account of mileage despite not possessing a vehicle of his own. Though the false claims were recovered, no action had been taken.
- d) The Renewable Natural Resources Research Centre, Jakar had made fictitious payment of Nu. 0.013 million on account of daily allowances to the participants of 'Participatory Rural Access exercise' in lower Kheng areas by inflating the number of days. Though the amount was recovered, no action had been taken.
- e) The Department of Forest had paid travelling and daily allowances of Nu. 0.011 million to an official for tours not performed. Neither the recovery nor any action had been taken.

### **1.4 Short account of cash – Nu.0.108 million**

The Accountant of Thrumshingla National Park, Ura had not accounted Nu. 0.108 million out of Nu.0.703 million collected from the beneficiaries on account of 20% of the cost of the solar equipment and Corrugated Galvanised Iron (CGI) sheets. No action had been taken.

### **1.5 Payment made for materials not received – Nu.0.130 million**

- a) The Renewable Natural Resource Research Centre (RNR RC), Jakar had made a payment of Nu. 0.081 million to M/s Deki Corporation, Phuentsholing without actually receiving the 30 blades Rotovator. Neither the recovery nor any action had been taken.
- b) The Regional Veterinary Laboratory (RVL), Khaling had made payment of Nu. 0.049 million to M/s Karma Tshongkhang, Samdrup Jongkhar for the supply of equipment. The equipment were not received till the date of

audit. Neither the recovery nor any action had been taken against the responsible official/s and the supplier.

#### **1.6 *Payment for works not executed – Nu.0.125 million***

- a) The Divisional Forest Office, Mongar had made payments of Nu. 0.057 million to the contractor M/s Druk Phuensum Construction for works not executed in the maintenance of Forest Management Unit, Lingmithang.

Similarly, Nu. 0.024 million was found paid to contractors for works not executed on the re-electrification and renovation of toilet at the Mongar Range Office and construction of steel gate at the Mongar Divisional Forest Office. Neither the recovery nor any action had been taken against the responsible officials and the contractors.

- b) The Regional Veterinary Laboratory, Khaling had paid Nu. 0.044 million to M/s Cheki Dorji Construction on account of compound fencing works at Mertsham, Khangma despite not executing the work. Neither the recovery nor any action had been taken against the responsible official/s and the contractor.

#### **1.7 *Unrealistic Payment - Nu.0.038 million***

The Divisional Forest Office, Samtse had made payment of Nu. 0.038 million in the construction of approach road to Divisional Forest Office at Lichibari, Samtse and Range Office, Sipsu on account of excavation of over areas included in the Bill of Quantities (BOQ)). Such item of work was not required in the construction. Neither the recovery nor any action had been taken against the responsible official/s and the contractor.

#### **1.8 *Payment of travelling and daily allowances during casual/earned leave – Nu.0.014 million***

The Divisional Forest Office, Paro had entertained travelling and daily allowances of Nu. 0.014 million to its employees on casual or earned leave. No action had been taken.

#### **1.9 *Use of inferior quality of Corrugated Galvanised Iron (CGI) sheets for roofing of Food Laboratory Building at Yesupang***

The contractor, M/s Tsheltrim Construction had provided 26 gauge Corrugated Galvanised Iron (CGI) sheets having a thickness of 0.43 mm only for roofing of the Food Laboratory Building at Yesupang as against the specified 24 gauge of 0.63 mm thickness. Neither the recovery nor any action had been taken against the responsible official/s and the contractor.

## 2 Mismanagement – Nu. 0.534 million

There were cases of mismanagement aggregating to Nu.0.534 million as summarised hereunder:

| Sl. No | Observation in brief  | Nu in Million | Para No | Who are accountable?  |
|--------|---|---------------|---------|---|
| 2.1    | Non execution of lease agreement                                    | 0.242         | 2 (b)   | The Chief Forestry Officer was advised to take up the matter with the Department of Forests for fixing the accountability |
| 2.2    | Short deposit of Mobility Revolving Fund accounted in the cash book | 0.111         | 4.1     | Karma Chopel, Accountant; Tshering Nidup, Accountant and Pema Y. Rinzin, Accounts Officer.                                |
| 2.3    | Non maintenance of timber production register                       | 0.084         | 3(a)    | Tenzin Wangdi, Range Officer and Sonam Tshering, Chief Forestry Officer   |
| 2.4    | Non surrender of cash closing balance                               | 0.077         | 1.3     | Sangay Wangchuk, Accountant and Nawang Norbu, Chief Forestry Officer  |
| 2.5    | Irregular exemption of 30% house rent                               | 0.020         | 2.1     | Phuntsho Thinley, former Park Manager and Karma Tenzin, Park Manager  |
|        | <b>Total</b>  | <b>0.534</b>  |         |   |

The cases are explained below:

### **2.1 Non-execution of lease agreement for occupying government land and non-realisation of lease rent – Nu.0.242 million**

Lease rent aggregating to Nu. 0.242 million had remained unrealised due to non-execution of proper lease agreement between the Department of Forest, Gedu and the lessee for leasing out Government land measuring 11.5 acres at Pasakha since 1986. Neither the recovery of the lease rent nor any action had been taken on the matter.

### **2.2 Short deposit of Mobility Revolving Fund accounted in the cash book – Nu.0.111 million**

There was lack of proper supervision, monitoring and control over the maintenance of revolving fund accounts by the Secretariat, Ministry of Agriculture. As a result, there was short deposit of Nu. 0.111 million in the Mobility Revolving Fund Account No.CD/9577. Neither the recovery nor any action had been taken.

### **2.3 Non-maintenance of Timber Production Register and Royalty Bill Register and unconfirmed realization of royalty - Nu.0.084 million**

The Range Office, Tsimasham had not maintained proper timber production and royalty bill registers. As a result, royalty amounting to Nu.0.084 million paid by the Forestry Development Corporation Ltd. (FDCL) could not be confirmed as the royalties were paid directly to the Gedu Division. Besides, there was no system of communicating the deposits made by FDCL to the Range Offices. No action had been taken.

### **2.4 Non-surrender of cash closing balance – Nu.0.077 million**

The Thrumshingla National Park, Ura had not surrendered the cash closing balance of Nu.0.077 million to the Department of Public Accounts as required. The amount was recoverable from the accountant. No action had been taken.

### **2.5 Irregular exemption of 30% house rent from the total carpet area resulting into short levy of rental charges – Nu.0.020 million**

There was short levy of house rent amounting to Nu.0.020 million from the following Park Managers due to irregular exemption of 30% from the total carpet area:

| Sl No.       | Name & designation             | 100% carpet area cost | 70% carpet area cost | Diff. in cost x No. of months | Total amount (Nu) |
|--------------|--------------------------------|-----------------------|----------------------|-------------------------------|-------------------|
| 1.           | Phuntsho Thinley, Park Manager | 3,095.57              | 2,166.89             | 928.68*12                     | 11,144.16         |
| 2.           | Karma Tenzin, Park Manager     | 3,095.57              | 2,166.89             | 928.68*9                      | 8,358.12          |
| <b>Total</b> |                                |                       |                      |                               | <b>19,502.28</b>  |

No action had been taken.

## **3 Violation of Laws and Rules – Nu. 1.607 million**

There were cases of Violation of laws and rules involving Nu.1.607 million as summarised hereunder:

| Sl. No | Observation in brief                 | Nu in Million | Para No | Who are accountable?  |
|--------|--------------------------------------|---------------|---------|---|
| 3.1    | Overstatement of expenditure         | 0.564         | 1.1     | Anil Ghalay, Accountant and Dipendra Ghalay, Accounts Officer         |
| 3.2    | Expenditure for unplanned activities | 0.519         | 3       | Tshering Tenzin, CA; Ugyen Tshewang, SAO and Sangay, Program Director |

|      |   |              |        |  |
|------|---|--------------|--------|--|
| 3.3  | Purchase without inviting tenders               | 0.179        | 8      | Ugyen Tenzin and Dasho Sithar Namgay                                     |
| 3.4  | Non deduction of 20% discount                   | 0.140        | 1      | Karma Gyeltshen, JE and Thinley, Chief Forestry Officer                  |
| 3.5  | Irregularities in issue over field clothing     | 0.094        | 3 (ii) | Dorji Tshering; Tshewang Gyeltshen; Sangay Dorji; Karma and Ugen Takchu. |
| 3.6  | Non levy of liquidated damages                  | 0.060        | 1.7    | Phuntsho, Forester and Nawang Norbu, Chief Forestry Officer              |
| 3.7  | Award of contract to government employee        | 0.051        | 4      | Kinley and Thinley Wangchuk  |
| 3.8  | Improper evaluation of bids                     | -            | 4      | Lok Nath Sharma, Dy. EE and Pema, CFO                                    |
| 3.9  | Execution of work without proper drawings       | -            | 1.3    | Ugyen Dukpa, Asstt. Engineer and Karma Dorji, Executive Director         |
| 3.10 | Remittance of audit recoveries from budget fund | -            | 1      | Tshewangla, DCA  |
| 3.11 | Poor workmanship                                | -            | 2      | Karma Gyeltshen, JE and Thinley, Chief Forestry Officer                  |
|      | <b>Total</b>                                    | <b>1.607</b> |        |  |

The cases are explained below:

### **3.1 Overstatement of expenditure - Nu.0.564 million**

There was overstatement of expenditure to the extent of Nu. 0.564 million in the Budget and Accounting System (BAS) generated accounts for the financial year 2005-06 of the Department of Livestock as given hereunder:

| Sl. No | Particular          | As per RAA's Computation (Nu.) | Reported as per the June Final Accounts (Nu.) | Overstated Expenditure (Nu.) |
|--------|---------------------|--------------------------------|---|------------------------------|
| a      | Current Expenditure | 9,689,281.83                   | 9,781,825.83                                  | 92,544.00                    |
| b      | Capital Expenditure | 562,359.48                     | 1,033,840.48                                  | 471,481.00                   |
|        | <b>Total</b>        | <b>10,251,641.31</b>           | <b>10,815,666.31</b>                          | <b>564,025.00</b>            |

The accounts were not reconciled.

### **3.2 Expenditure incurred for un-planned activities and non-confirmation of receipt of seeds/seedlings from the beneficiaries – Nu.0.519 million**

The Project Facilitation Office, Khangma had booked an expenditure of Nu. 0.519 million as payment to Druk Seed Corporation, Paro on account of seeds/seedlings procured by the Ministry of Agriculture. The seeds/seedlings were distributed directly to the farmers of Pemagatshel and Mongar Dzongkhags through the

respective Dzongkhag Agriculture Officers, which was purely an ad-hoc activity. Besides, there was no confirmation of the receipt of seeds/seedlings from the beneficiaries. No action had been taken.

### ***3.3 Purchase of Conference bags without inviting tender – Nu.0.179 million***

The Department of Survey and Land Records had purchased 191 leather bags at the cost of Nu. 0.179 million at the end of the financial year 2004-05 merely to avoid the lapse of fund. The bags for the conference were procured without inviting tenders. Further, the conference was not held and instead the bags were distributed to participants of workshop on Land Registration and Transaction Procedures in March 2007, two years after its procurement. No action had been taken.

### ***3.4 Non-deduction of 20% discount provided by the contractor – Nu.0.140 million***

The Jigme Dorji National Park, Damji had not deducted 20% discount provided by the contractor while making the final payment. This had resulted into excess payment of Nu. 0.160 million. Out of Nu.0.160 million, only Nu.0.020 million was deposited leaving a balance of Nu.0.140 million. No action had been taken.

### ***3.5 Irregularities in issue of field clothing – Nu.0.094 million***

The Department of Survey and Land Records had been issuing field clothing like jackets and sleeping bags to surveyors and other field personnel every year. The Survey Manual stipulates issuance of such clothing only once in every two years. Therefore, such irregular issue of field clothing led to an excess issue of clothing amounting to Nu. 0.094 million for which no action had been taken.

### ***3.6 Non-levy of liquidated damages – Nu.0.060 million***

The Thrumshingla National Park, Ura had not levied liquidated damages of Nu. 0.060 million to the contractor for the delay in construction of the Guard Post at Tsamang and water supply, approach road and fencing at Autsho. No action had been taken.

### ***3.7 Award of contract to government employee – Nu.0.051 million***

The Department of Forest, Thimphu had paid an amount of Nu. 0.051 million to a civil servant working with the Dzongkha Development Authority, on account of translation of Forest Act to Dzongkha. No action has been taken against the parties concerned for violating the civil service norms.

### ***3.8 Improper evaluation of bids***

The engineers of the Ministry of Agriculture prepared Bill of Quantities (BOQs) without carrying out proper study of the construction site and the drawings, in the construction of Sakteng Wildlife Sanctuary Head Office Complex at Menkhang, Phongmey. This led to unrealistic BOQs and as a result, revised BOQs had to be prepared subsequently for Nu. 16.212 million on the insistence of the contractor. Accordingly, the cost of construction increased from the initial tendered amount of Nu. 9.729 million to Nu. 15.803 million. Further, the tender evaluation was carried out on the gross tendered amount instead of the item wise rates of the estimates. No action had been taken.

### ***3.9 Execution of work without proper drawings***

The Bhutan Agriculture and Food Regulatory Authority had executed electrification works for Veterinary Laboratory, Food Laboratory and Duty Room at Yusipang and Quarantine Shed at Phuentsholing based on a simple layout drawing (both internal and external electrification). The absence of proper drawings would make it difficult to locate the concealed inner running cables at the time of repair and maintenance works in future. Besides, no lightning arresters were installed in the laboratories to protect the expensive and sensitive laboratory equipment against lightning. No action had been taken.

### ***3.10 Remittance of audit recoveries from budget fund***

The Divisional Forest Office, Mongar had booked an amount of Nu. 0.057 million as Public Works advance against its staff, but the amount had been actually remitted to the Royal Audit Authority to settle the earlier audit observations. Although the amount had been subsequently recovered, the remittance of audit recoveries from government fund was highly irregular. No action had been taken.

### ***3.11 Poor workmanship in the construction of approach road***

The construction of approach road to Jigme Dorji National Park, Damji awarded to M/s Rinchen Norbu Construction at the quoted amount of Nu. 0.743 million was not done properly. The rectification as advised by audit was also not carried out. No action had been taken.

## **4 Shortfalls, Lapses and Deficiencies – Nu. 7.815 million**

---

There were cases of shortfalls, lapses and deficiencies aggregating to Nu.7.815 million as summarised hereunder:

| Sl. No | Observation in brief                                       | Nu. in million | Para No      | Who are accountable?  |
|--------|--|----------------|--------------|---|
| 4.1    | Excess payment to employees                                | 0.985          |              | As detailed below   |
| 4.2    | Excess payment to contractors                              | 0.842          |              | As detailed below   |
| 4.3    | Non production of bills                                    | 0.200          | 7            | Sonam Thinley, Project Accountant and Zangpo, Asst. Chief Forestry Officer  |
| 4.4    | Irregular payment  | 0.284          | 1;14;<br>1;4 | Biswanath Pradhan; LB Subba; BB Thapa; Jamphel Gyeltshen; Pelden Yeshe; Ugen Takchu; Tshewangla, Deputy Chief Accountant; Dipendra Ghalay, Accounts Officer; Sonam Wangdi, Chief Administrative Officer; Tashi Dhendup, Farm Manager and Kaka Wangchuk, Store Officer |
| 4.5    | Non deduction of liquidated damages                        | 0.038          | 3            | Kinley; Chengay and Sonam Tshering  |
| 4.6    | Issue of office equipment to the former programme Director | -              | 10           | Leki Dorji, Officiating Programme Director  |
| 4.7    | Non availability of equipment                              | -              | 2.1          | Jamyang Phuntsho, Chief Lab. Officer and Karma Dorji, Executive Director  |
| 4.8    | Non reconciliation of stock                                | -              | 8            | M. M. Sali, Store Keeper and Kaka Wangchuk, Store Officer   |
| 4.9    | Outstanding advances                                       | 5.466          |              | As detailed below   |
|        | <b>Total</b>   | <b>7.815</b>   |              |   |

The cases are explained below:

#### **4.1 Excess payment to Employees – 0.985 million**

There were cases of excess payment to employees involving Nu.0.985 million as summarised hereunder:

| Sl. No | Observation in brief               | Nu in Million | Para No                        | Who are accountable?  |
|--------|------------------------------------|---------------|--------------------------------|---|
| a      | Excess payment of daily allowances | 0.755         | 1                              | Leki Dorji and Dr. Lham Tshering (Supervisory)  |
| b      | Excess payment of salary           | 0.097         | 1.6                            | Sonam Wangchuk, Former Park Manager and Nawang Norbu, Chief Forestry Officer  |
| c      | Inadmissible payment               | 0.075         | 2.1.1.<br>2, 1.2<br>&<br>2.1.3 | Sangay Chewang, Chief Marketing Officer; Dorji Rinchen, Marketing Officer; Chimi Tshering, Marketing Officer; Karma Tenzin, Ex-Human Resource Officer; Sonam Wangdi, Chief Administrative Officer; Pema Y. Rinzin, Account Officer; Kinley Tenzin, Accountant and Ugyen Dema, Accountant. |
| d      | Excess payment of daily allowances | 0.038         | 1.1.1                          | Tshering Choden, Adm. Assistant and Zangpo, Asst. Chief Forestry Officer.   |

|   |                                  |              |   |   |
|---|----------------------------------|--------------|---|---|
| e | Excess payment on education tour | 0.020        | 2 | Sonam Zangpo, Asst. Chief Forestry Officer. |
|   | <b>Total</b>                     | <b>0.985</b> |   |   |

The cases are explained below:

- a) The Strengthening of Livestock Development Initiative Project under the Department of Livestock had paid daily allowances to officials for their study tour in India at par with NEX Program rate resulting into excess payment of Nu.0.755 million. No action had been taken.
- b) The former Park Manager of Thrumshingla National Park, Ura had been paid full salary for twenty four months of his masters' course in the USA resulting into excess payment for twelve months amounting to Nu.0.097 million. No action had been taken.
- c) The Secretariat, Ministry of Agriculture had made daily allowances payments of Nu. 0.075 million to the officials during study tour to India under the Government of India funded project at par with NEX rate which was not admissible resulting into excess payment. No action had been taken.
- d) The Jigme Dorji National Park, Damji had made excess payment of daily allowances aggregating to Nu. 0.038 million to an Administrative Assistant during her short term training at Asian Institute of Technology, Bangkok. No action had been taken.
- e) Excess payments of Nu.0.031 million were made to 15 staff during their educational study tour to India by Jigme Dorji National Park, Damji against which Nu.0.011 million was deposited leaving a balance of Nu.0.020 million. No action had been taken.

#### **4.2 Excess payment to contractors – Nu.0.842 million**

There were cases of excess payment to contractors aggregating to Nu.0.842 million as summarised hereunder:

| Sl. No | Observation in brief                              | Nu in Million | Para No.    | Who are accountable?   |
|--------|---|---------------|-------------|--|
| a      | Overpayment                                       | 0.731         | 1 (a, b, c) | Tshering Dukpa and Kuenga Yeshey, JE and Sonam Tshering, Chief Forestry Officer. |
| b      | Excess payment due to variation                   | 0.061         | 3           | Chengay, JE.   |
| c      | Excess payment                                    | 0.050         | 1B          | Rinzin Dorji, Accountant and Passang W. Norbu, CFO                               |
| d      | Excess payment for installation of louver shutter | -             | 2.4         | Jamyang Phuntsho, Chief Lab. Officer and Karma Dorji, Executive Director         |
|        | <b>Total</b>                                      | <b>0.842</b>  |             |  |

The cases are explained below:

- a) The Divisional Forest Office, Gedu had made over payments of Nu. 0.731 million in the construction of boundary wall and river protection wall at Phuentsholing. The over payment had occurred due to payments for works not executed, deviation of works from the drawing and the difference in breadth of the wall. Neither the recovery nor any action against the responsible official/s and the contractor had been taken.
- b) The Regional Mithun Breeding Farm, Wangdigang, Zhemgang had made excess payment of Nu. 0.061 million to the contractor in the construction of office building, farm manager's residence, staff quarter and sheds etc. by allowing more quantities than actual quantities executed as noted during the joint measurement. Neither the recovery nor any action against the responsible official/s and the contractor had been taken.
- c) The Divisional Forest Office, Samtse had made excess payment of Nu. 0.050 million to two contractors as given hereunder:

| Sl. No.      | Name of Contractor          | Vr. No & date  | Payment Amount (Nu.) | Amount as per M. B. (Nu.) | Excess payment (Nu.) |
|--------------|-----------------------------|----------------|----------------------|---------------------------|----------------------|
| 1            | M/s Jamyang P. Construction | 95 of 29/06/05 | 434,895.26           | 408,760.28                | 26,134.98            |
| 2            | M/s K. D. Construction      | 89 of 29/06/06 | 212,291.50           | 188,833.14                | 23,458.36            |
| <b>Total</b> |                             |                |                      |                           | <b>49,593.34</b>     |

Neither the recovery nor any action against the responsible official/s and the contractor had been taken.

- d) The Bhutan Agriculture and Food Regulatory Authority had made excess payment of Nu.0.102 million to M/s Karma Show Room, Thimphu on account of installation of louver shutter measuring 2,155.26 square feet at its Head Office and Yusepang laboratory as against the actual installation of 1,592.50 square feet found during physical verification.

The excess payment was subsequently deposited into ARA, but appropriate action taken against the official/s for certifying the payment without proper verification, as recommended, is awaited.

### **4.3 Non-production of records – Nu.0.200 million**

The Jigme Dorji National Park, Damji had made payments aggregating to Nu. 0.200 million to M/s Singyebee Construction on account of maintenance and electrification of staff quarter at Soe Mesizam Range Office, Paro. The payment was not supported by contractor's bills, although the work had been completed and taken over. No action had been taken.

#### **4.4 Irregular payment of travelling and daily allowances claims – Nu.0.284 million**

- a) The Department of Survey and Land Records had no proper control over the payment of daily allowances claims to its officials, which had resulted into irregular claims of Nu. 0.102 million. Neither the recovery nor any action had been taken.
- b) The Divisional Forest Office, Mongar had made travelling and daily allowances payments of Nu. 0.090 million higher than the actual claims submitted by claimants as given hereunder:

| Sl No.       | Vr. No & date    | Amount claimed as per bills (Nu.) | Amount paid (Nu.) | Difference (Nu.) |
|--------------|------------------|-----------------------------------|-------------------|------------------|
| 1            | 11 of 14/09/2005 | 13,890.00                         | 16,890.00         | 3,000.00         |
| 2            | 28 of 22/09/2005 | 119,772.00                        | 146,802.00        | 27,030.00        |
| 3            | 48 of 04/11/1005 | 105,540.00                        | 115,540.00        | 10,000.00        |
| 4            | 27 of 27/01/2006 | 112,575.00                        | 158,725.00        | 46,150.00        |
| 5            | 37 of 29/02/2006 | 41,089.00                         | 45,223.00         | 4,136.00         |
| <b>Total</b> |                  |                                   |                   | <b>90,316.00</b> |

Neither the recovery nor any action had been taken.

- c) The Department of Forest, Thimphu had entertained irregular travelling and daily allowances of Nu. 0.200 millions to its officials and staff, which could not be authenticated due to lack of proper documents supporting the travel claims. However, Nu.0.130 million was recovered leaving a balance of Nu.0.070 million. No action had been taken.
- d) The Livestock Central Store, Phuentsholing had made irregular payment of Nu. 0.022 million to M/s Gongphel Transport by allowing transportation charges from Phuentsholing to Zhemgang as against the actual transportation of Mithun from Wangkha to Zhemgang on the grounds that trucks were not available at Wangkha. No action had been taken.

#### **4.5 Non-deduction of liquidated damages – Nu.0.038 million**

The Strengthening of Livestock Development Initiative Project under the Department of Livestock had not imposed liquidated damages of Nu.0.038 million for 88 days of delay in the construction of District Veterinary Hospital in Wangdue. Neither the recovery nor any action had been taken against the responsible officials and the contractors.

#### **4.6 Issue of office equipment to the former Programme Director**

A Toshiba Laptop and HP DeskJet 880C printer issued to the former Programme Director of the National Feed and Fodder Development Programme on returnable basis was not returned. No action had been taken.

#### 4.7 *Non-availability of equipment*

Out of the four analytical balances (costing Nu. 0.096 million each) and two air compressors (costing Nu. 0.072 million each) purchased from M/s Karma Tshongkhang for Bhutan Agriculture and Food Regulatory Authority laboratory at Yesupang, one analytical balance and one air compressor was not available in the laboratory during the physical verification. Its cost was subsequently deposited into the ARA. However, appropriate action against the supplier and the officials concerned as recommended by the RAA was not taken.

#### 4.8 *Non-reconciliation of Stock Account*

The Livestock Central Store, Phuentsholing had no system of carrying out periodical stock taking to ensure the accuracy of stock balances, as a result there were discrepancies between the balances as given hereunder:

| Year    | Medicine                  | Issued qty. as per challan | Qty. as per stock register. | Difference |
|---------|---------------------------|----------------------------|-----------------------------|------------|
| 2003-04 | 1. Tetracycline Hcl W/S   | 7,550                      | 6000                        | 1,500      |
|         | 2. Ampicillin Inj.        | 1,300                      | 1,281                       | 19         |
|         | 3. Fenbendazole Pdrs.     | 2,685                      | 2,591                       | 94         |
|         | 4. Prazinquantel          | 1,896                      | 1,485                       | 411        |
|         | 5. Hexamine Pdr.          | 453                        | 354                         | 99         |
| 2004-05 | 1. Sulphadimidine Bolus   | 4,827                      | 4,721                       | 106        |
|         | 2. Lignocaine Hcl         | 5,206                      | 3,166                       | 2,040      |
|         | 3. Adrenalin Inj          | 2,640                      | 1,545                       | 1,095      |
| 2005-06 | 1. Albendazole granules   | 8,295                      | 7,708                       | 587        |
|         | 2. Oxytocin               | 1,980                      | 50                          | 1,930      |
|         | 3. Adrenachrome           | 815                        | 130                         | 685        |
| Year    | Instrument                | Issued qty. as per challan | Qty. as per stock register. | Difference |
| 2003-04 | 1. Suture thread ( silk)  | 167.50                     | 252                         | 84         |
|         | 2. Bandage 7.5 cm         | 1,566                      | 1,550                       | 16         |
|         | 3. Cotton                 | 1,750                      | 1,664                       | 86         |
| 2004-05 | 1. Disposable Syringe 2ml | 1,769                      | 1,400                       | 369        |
|         | 2. Disposable Syringe 5ml | 1,770                      | 1,720                       | 50         |
|         | 3. Stethoscope            | 56                         | 46                          | 10         |
|         | 4. Thermometer (imp)      | 59                         | 41                          | 18         |

The differences were not reconciled.

#### 4.9 Outstanding advances – Nu.5.466 million

There were cases of outstanding advances aggregating to Nu.5.466 million as summarised hereunder:

| Sl. No | Observation in brief             | Nu. in million | Para No | Who are accountable?  |
|--------|----------------------------------|----------------|---------|---|
| a      | Outstanding advances             | 2.702          | 3       | Sonam Wangdi, CAO and P.Y Rinzin                                      |
| b      | Outstanding advances             | 1.476          | 1.11    | Nawang Norbu, Chief Forestry Officer                                  |
| c      | Outstanding advances             | 1.096          | 8       | Tshering Tenzin, CA; Ugyen Tshewang, SAO and Sangay, Program Director |
| d      | Outstanding advances             | 0.142          | 6       | Tikaram Biswa and Ugen Takchu   |
| e      | Unauthorized payment of advances | 0.050          | 5       | Karma and Sonam Wangdi  |
|        | <b>Total</b>                     | <b>5.466</b>   |         |   |

The cases are explained hereunder:

- The Secretariat, Ministry of Agriculture had advances of Nu.2.702 million lying outstanding against various officials, contractors and other agencies.
- The Thrumshingla National Park, Ura had advances of Nu.1.476 million lying outstanding against various contractors and employees.
- The PFO, Khangma had advances of Nu. 1.096 million lying outstanding against various employees, suppliers and others as on 30<sup>th</sup> September 2007. However, Nu.0.030 million was deposited into ARA while Nu.0.034 million was adjusted leaving a balance of Nu.1.096 million.
- The Department of Survey and Land Records had advances of Nu. 0.142 million lying outstanding against various officials and staffs as under.

| Sl. No.           | Name               | Present Address  | Emp. ID No. | Balance (Nu)      | Remarks      |
|-------------------|--------------------|------------------|-------------|-------------------|--------------|
| <i>LC Account</i> |                    |                  |             |                   |              |
| 1                 | Sonam Phuntsho, SE | DUDES, MoWHS     | 8008006     | 11,811.00         | Overdue      |
| 2                 | Tenzin Wangdi, LRA | Gasa Dzongkhag   | 9909063     | 5,000.00          | Overdue      |
| 3                 | Dungkala, LRO      | Chukha Dzongkhag | 7103010     | 99,704.00         | Overdue      |
| 4                 | Nob Tshering, CAO  | MoHCA            | 8909016     | 15,000.00         | Overdue      |
| <i>CD Account</i> |                    |                  |             |                   |              |
| 1                 | Sonam Phuntsho, SE | DUDES, MoWHS     | 8008006     | 2,189.00          | Overdue      |
| 3                 | Neten Dorji, Syr   | DSLRL            | 8105034     | 5,650.00          | Current year |
| 4                 | Lotay, Syr         | DSLRL            | 200208088   | 3,000.00          | Current year |
| <b>Total</b>      |                    |                  |             | <b>142,354.00</b> |              |

- e) The Department of Survey and Land Records had paid salary advance of Nu. 0.050 million to driver Karma on recoverable monthly installment of Nu. 0.002 million in June 2007 without proper approval. No action had been taken.

## 6.2 Ministry of Economic Affairs

During the period, the Royal Audit Authority had issued eight audit reports of the Ministry of Economic Affairs, the then Ministry of Trade and Industry. There were eighty six observations pointed out in the reports involving Nu.48.307

million. However, seventy five observations amounting to Nu.40.378 million were settled. The total unresolved significant irregularities amounted to Nu.0.448 million as summarised below:

| Sl. No. | Observations in brief               | Nu in Million | Category Code |
|---------|-------------------------------------|---------------|---------------|
| 1       | Fraud, Corruption & Embezzlement    | 0.393         | 1 & 2         |
| 2       | Shortfalls, Lapses and Deficiencies | 0.055         | 5             |
|         | <b>Total</b>                        | <b>0.448</b>  |               |

### 1 Fraud, Corruption and Embezzlement – Nu. 0.393 million

There was one case indicating fraud, corruption and embezzlement involving Nu.0.393 million as summarised hereunder:

#### 1.1. Fictitious payment – Nu.0.393 million (Para 1.1&1.2)

The Department of Geology and Mines (DGM) had cases of fictitious payment of wages amounting to Nu. 0.393 million by inflating the number of days for the labourers deployed in the field. However, Nu.0.145 million was later deposited leaving a balance of Nu.0.248 million. The Ministry had taken administrative action only and failed to take action as per the law of the land.

#### **Who are Accountable?**

*Dorji, DE; Jamba Dorji, DE; Nawang Norbu, Drilling Head; Hasta Bdr. Sangpang, DCFO, Dorji Tshering, Finance Officer and Dorji Wangda, Director*

### 2 Shortfall, Lapses and Deficiencies – Nu. 0.055 million

There were cases of shortfalls, lapses and deficiencies aggregating to Nu.0.055 million as summarised hereunder:

| Sl. No | Observation in brief                  | Nu in Million | Para No | Who are accountable?  |
|--------|---------------------------------------|---------------|---------|---|
| 2.1    | Payment for establishment of dry port | -             | 8       |   |
| 2.2    | Outstanding advances                  | 0.055         | 6       | Sonam Yangley, Former Director and Dechen Choden, Assistant Program Officer |
|        | <b>Total</b>                          | <b>0.055</b>  |         |   |

The cases are explained below:

### **2.1 Payment for establishment of dry port at Phuentsholing**

The Department of Trade had made total compensation payment of Nu. 7.095 million on the acquisition of private land, building and other properties from the affected parties for the establishment of Dry Port at Phuentsholing as given hereunder:

| Sl. No | Name of Parties  | Amount (Nu.)        | Vr. No. & Date | Reference letter No. & Date                    |
|--------|--|---------------------|----------------|--|
| 1      | Pema Lhadon (private Plot of Land with two storied building) | 2,696,688.08        | 33 of 24/04/06 | DT/FT-5/2006/283 dtd. 8 <sup>th</sup> May 2006 |
| 2      | M/s STCBL, Phuentsholing                                     | 4,398,295.10        | 32 of 24/04/06 |  |
|        | <b>Total</b>   | <b>7,094,983.18</b> |                |  |

In spite of having already paid the compensations, the Department had not taken over the lands. Owing to various reasons, the management had responded that it is still under the process of taking over the lands.

### **2.2 Outstanding advances – Nu.0.055 million**

The Department of Industry had advances of Nu.0.055 million lying outstanding against various officials.

## **6.3 Ministry of Education**

During the period, the Royal Audit Authority had issued six audit reports of the Ministry of Education and its departments, divisions and units. Out of the total of thirty observations amounting to Nu.113.934 million pointed out in the

reports, nine observations amounting to Nu.88.527 million were settled. The total unresolved significant irregularities amounted to Nu.14.356 million as summarised below:

| Sl. No. | Observations in brief            | Nu. in Million | Category Code |
|---------|----------------------------------|----------------|---------------|
| 1       | Fraud, Corruption & Embezzlement | 13.584         | 1 & 2         |
| 2       | Violation of Laws and Rules      | 0.023          | 4             |
| 3       | Shortfall, Lapses & Deficiencies | 0.749          | 5             |
|         | <b>Total</b>                     | <b>14.356</b>  |               |

## 1 Fraud, Corruption and Embezzlement – Nu. 13.584 million

There were cases of strong indicators of fraud, corruption & embezzlement involving Nu.13.584 million as summarised hereunder:

| Sl. No | Observations in brief                                       | Nu. in Million | Para No. | Who are accountable?  |
|--------|---|----------------|----------|---|
| 1.1    | Procurement scam of Science laboratory equipment            | 13.068         | 1        | Penjor Dorji, Procurement Officer; Minjur Dorji, Chief Procurement Officer; Tshen Norbu, Finance Officer; Tshewang Dorji, Finance Officer; Wangpo Tenzin, Curriculum Officer and Tashi Tobgye, Chief Administrative Officer |
| 1.2    | Payment of travelling and daily allowances at higher grades | 0.480          | 1        | Deki Yangzom, CO; Til Bdr. Chettri, Teacher; Lhundrup Dukpa, CO; Tshering, CO and Tenzin Dorji, CO (all Supervisory)  |
| 1.3    | Misrepresentation of facts                                  | 0.036          | 5        | Pema Tenzin, Assistant Principal; Tashi Lhamo, Vice Principal; Tshering Dema, Teacher; Phub Gyeltshen, Teacher; Lhendup Dukpa, CO and Dorji Wangchuk, CO  |
|        | <b>Total</b>  | <b>13.584</b>  |          |   |

The cases are explained below:

### 1.1 Procurement scam of Science laboratory equipment – Nu.13.068 million

Funds amounting to Nu.13.068 million were siphoned off through illegitimate payments in the procurement of science laboratory equipment. The systemic lapses and fraudulent practices, which allowed the supplier to bill for items short supplied and even for items not supplied at all and other relative lapses are summarised below:

**Manipulation in Notice Inviting Quotation (NIQ)** – The NIQ for procurements made in 2003-04 were not floated but fictitious documents were maintained to create transaction trails and comply with the documentation requirements. While the NIQ was not aired, records showed five firms having participated in the tender indicating managed tender.

***Non-production of bidding documents*** – The bid documents for the supply of laboratory equipment and chemicals for the fiscal year 2005-2006 were not produced for review. From the documents available, it transpired that three firms had submitted their bids for the supply of these materials, of which two firms had ceased to operate/trade on such materials since 30<sup>th</sup> June 2004. Thus, the bids of the two firms were apparently managed indicating fraudulent practices.

***Non-transparent Bill of Quantities in the bids*** – The Ministry had invariably called quotations for single set of equipment to be procured while the actual supply orders were made for multiple sets. The information on the bids was not transparent, as the bidders did not know the actual quantity of supplies depriving the Government of the economies of scale.

***Non-availability of packing list*** – The Ministry had no records of the packing list for the supply of equipment to various schools for the fiscal year 2003 - 2004 and 2004 – 2005. In absence of such document, the authenticity of actual quantities supplied and payments made were not accurately ascertainable.

***Supply orders placed without Bill of Quantities*** – The supply orders did not indicate the actual quantities of equipment agreed to be supplied. The quantities were indicated in sets while the contents in the sets were not defined. Neither the Education Central Store nor the recipient schools seemed to have understood the type or quantity of equipment to be received by them. The supplier had billed in sets and the recipient verified without understanding the contents in the sets.

***Preference in brands of materials*** – The Ministry had resorted to preference in brands rendering undue favour to a particular firm while discouraging other firms supplying similar items of other brands.

***Lack of due diligence on verification and payment of bills*** – The bills for procurement in millions did not receive adequate diligence and scrutiny as required.

***Improper planning and monitoring system*** – Several instances of improper planning and inadequate monitoring by competent authorities were noted.

The illegitimate payments represented **45.27%** of the total cost of procurement of the science laboratory equipment and consumable items. However, the amount had been recovered and deposited into ARA and the Ministry had charge sheeted only the supplier and the procurement officer. The final outcome of the case is awaited.

## ***1.2 Payment of travelling and daily allowances at higher grades - Nu.0.480 million***

The Curriculum & Professional Support Division, Department of School Education had paid travelling and daily allowances aggregating to Nu.0.480 million by fraudulently increasing the grades of participants attending English

Orientation Workshop at Trashigang and Wangdue, English & Dzongkha Curriculum Writers Workshop at Paro, Dzongkhag Orientation Workshop at Phuntsholing and Second round Dzongkha Needs Assessment Survey Report compilation Workshop at Paro. Subsequently, Nu.0.282 million had been recovered and deposited into ARA leaving a balance of Nu.0.198 million. Further, no actions were taken against the officials responsible for the fraudulent practices.

### **1.3 *Misrepresentation of facts – Nu.0.036 million***

The Curriculum & Professional Support Division, Department of School Education had paid travelling and daily allowances aggregating to Nu. 0.036 million to various participants of the Writers Workshop on English Curriculum Review & Reform at Paro and Social Studies Teacher Manual Workshop at Thimphu. The payees had changed their place of posting to be eligible for the payment of such allowances. Subsequently, Nu.0.010 million only had been recovered and deposited into ARA leaving a balance of Nu.0.026 million. Further, no actions were taken against the officials responsible for the fraudulent practice.

## **2 Violation of Laws and Rules – Nu. 0.023 million**

---

There was one case falling under violation of laws and rules involving Nu. 0.023 million as summarised hereunder:

### **2.1 *Non-levy of Liquidated damages – Nu.0.023 million (Para 3)***

The Education Development Project had not levied liquidated damages of Nu.0.023 million for delay in the supply of materials for the construction of schools with Light Gauge Steel Frame. No action had been taken.

#### ***Who are accountable?***

*Basant Raj Chettri, JD and Tshewang Tandin, Director*

## **3 Shortfall, Lapses & Deficiencies – Nu. 0.749 million**

---

There were cases of shortfalls, lapses & deficiencies involving Nu.0.749 million as summarised hereunder:

| Sl. No | Observations in brief                                   | Nu. in Million | Para No. | Who are accountable?   |
|--------|---|----------------|----------|--|
| 3.1    | Inadmissible payment                                    | 0.192          | 1, 2.1   | Pem Yangden, AO; Pema Wangdi, Sr. SO and Dr. Phub Rinchen, Secretary (BBED)  |
| 3.2    | Irregularities in procurement and payment of incentives | 0.326          | 3.2& 1   | Lobzang Dorji, Procurement Officer; Tashi Tobgye, Chief Adm. Officer; Phub Dorji, Asstt. Programme Officer and Tandin Dorji, Programme Officer |
| 3.3    | Non-production of document                              | -              | 6        | Penjor Dorji, Procurement Officer and Tashi Tobgye, Chief Administrative Officer   |
| 3.4    | Outstanding advances                                    | 0.231          | 3        | Pema Wangdi, Sr. SO (Supervisory)  |
|        | <b>Total</b>  | <b>0.749</b>   |          |  |

The cases are as explained below:

### ***3.1 Inadmissible payment – Nu.0.192 million***

- a) The Department of Youth & Sports had made inadmissible payments of Daily Subsistence Allowance of Nu.0.195 million to its officials without performing tour as confirmed from the daily attendance registers. Subsequently, Nu.0.147 million had been recovered and deposited into ARA leaving a balance of Nu.0.048 million. No action had been taken.
- b) The Ministry had made inadmissible payments of Nu.0.144 million on account of travelling and daily allowances to seven teachers who did not participate in the Evaluation Camp at Khuruthang. No action had been taken.

### ***3.2 Irregularities in procurement and payment of incentives – Nu.0.326 million***

- a) The Dzongkha Development Authority (DDA) had procured computers valuing Nu. 0.146 million without inviting open tender. Further, the computers supplied were not as per the specification. The DDA had neither replaced the computers nor recovered the differential cost.
- b) The Dzongkha Development Authority had paid incentives of Nu.0.075 million to the Dzongkha Focal Persons without confirmation or appointment orders from the respective agencies. Similarly, the DDA had paid Nu.0.105 million to the Dzongkha Focal Persons who had served more than three years resulting in irregular payment of incentives. No action had been taken.

### ***3.3 Non-production of documents for verification***

The Ministry had not produced tender documents for procurement of duplicating machine and type-writers involving payments of Nu.1.200 million. Further,

various Divisions excepting the BBE and UNESCO had not produced the attendance registers for verification. No action had been taken.

### 3.4 Outstanding advances- Nu.0.231 million

The Ministry had advances of Nu.0.231 million lying outstanding against various individuals.

## 6.4 Ministry of Finance

During the period, the Royal Audit Authority had issued nine audit reports of the Ministry of Finance and its departments, divisions and units. Out of the eighteen observations amounting to Nu.44.646 million pointed out in the

reports, seven observations amounting to Nu.26.573 million were settled. The total unresolved significant irregularities amounted to Nu.17.722 million as summarised below:

| Sl. No. | Observations in brief            | Nu. in Million | Category Code |
|---------|----------------------------------|----------------|---------------|
| 1       | Mismanagement                    | 4.663          | 3             |
| 2       | Shortfall, Lapses & Deficiencies | 13.059         | 5             |
|         | <b>Total</b>                     | <b>17.722</b>  |               |

### 1 Mismanagement – Nu. 4.663 million

There were cases of mismanagement in the form of non-realisation of taxes, fees and rents involving Nu.4.663 million as summarised hereunder:

| Sl. No | Observations in brief                     | Nu. in Million | Para No.                                 | Who are accountable?   |
|--------|---|----------------|--|--|
| 1.1    | Overdue taxes & revenue                   | 4.239          | 1.7,<br>1.8,<br>1.4,<br>1.5,<br>3.1, 3.2 | Ugyen Kezang, Joint Commissioner, Sherub Chojay, Assistant Commissioner and Karma Loday, Regional Commissioner |
| 1.2    | Abnormal delays in the deposit of revenue | 0.262          | 4.1.3                                    | Yeshey Dorji, Accounts Assistant, Ugyen Sonam, Accounts Assistant and Karma Loday, Regional Commissioner       |
| 1.3    | Non/short levy of penal interest          | 0.056          | 1.2                                      | Ugyen Kezang, Joint Commissioner and Karma Loday, Regional Commissioner  |

|     |                         |              |          |   |
|-----|-------------------------|--------------|----------|---|
| 1.4 | Non levy of excise duty | 0.106        | 2.1, 2.2 | Chhophel, Customs Inspector, Pema Wangchen, Assistant Commissioner and Karma Loday, Regional Commissioner |
|     | <b>Total</b>            | <b>4.663</b> |          |   |

The cases are as explained below:

### **1.1 Overdue taxes and revenue – Nu.4.239 million**

- a) The Regional Revenue & Customs Office, Samtse had Business Income Tax of Nu. 0.198 million lying outstanding against M/s Dhendup Humes Industries, Pugli for the Income Year 2005.
- b) The Regional Revenue & Customs Office, Samtse had Business Income Tax of Nu. 0.068 million lying outstanding against various Business Units under its jurisdiction.
- c) The Regional Revenue & Customs Office, Thimphu had Business Income Tax of Nu. 0.839 million lying outstanding against M/s Bae-Yul Excursion, Thimphu for the Income Year 2004 to 2006.
- d) Corporate, Business Units and other Tax payers under the jurisdiction of the Regional Revenue and Customs Office, Thimphu had Corporate, Business and Personal Income Tax of Nu.2.356 million lying outstanding for the Income Year 2005.
- e) The Regional Revenue & Customs Office, Thimphu had not realised penal interest amounting to Nu. 0.262 million from various tax payers of Thimphu and Punakha.
- f) The Regional Revenue & Customs Office, Thimphu had Bhutan Sales Tax of Nu. 0.219 million lying outstanding against Dia Chee Restaurant, Hotel Dragon Roots and Hotel Jhomolhari.
- g) The Duty Free Shop had outstanding sale proceeds of Nu.0.297 million.

No action had been taken for the overdue taxes and revenue.

### **1.2 Abnormal delays in the deposit of revenue – Nu.0.262 million**

The Regional Revenue & Customs Office, Thimphu had instances of abnormal delays in deposit of revenue into Royal Government Revenue Account. The penal interest on the late deposit of revenue amounted to Nu. 0.262 million. No action had been taken.

### **1.3 Non/short levy of penal interest – Nu.0.056 million**

The Regional Revenue & Customs Office, Thimphu had erroneously assessed the Business Income Tax of M/S Bhutan Construction, Thimphu for the Income Year 2004 and 2005 resulting in non-imposition of penalties of Nu.0.056 million. No action had been taken.

#### **1.4 Non-levy of excise duty – Nu. 0.106 million**

The Regional Revenue & Customs Office, Thimphu had not levied excise duty amounting to Nu. 0.106 million for the goods damaged or the loss occurred in transit. The excise duties from the domestic manufacturing companies were also not realised. No action had been taken.

## **2 Shortfall, Lapses & Deficiencies – Nu. 13.059 million**

There were cases of shortfalls, lapses & deficiencies involving Nu.13.059 million as summarised hereunder:

| Sl. No | Observations in brief        | Nu. in Million | Para No.     | Who are accountable?  |
|--------|------------------------------|----------------|--------------|---|
| 2.1    | Delay in completion of works | 0.314          | 1.2          | Lham Dorji, Director; Wangda Tshering, JE; Tashi Wangley, Technician and Phenphay R Dukpa, Head, AFD  |
| 2.2    | Outstanding advances         | 12.745         | 2, 1, 1.1, 3 | Dorji Drukpa, former Accountant; Rinchen Gyeltshen, Accountant, Udesh Chhetri, Asstt. Accounts Officer, Phenphey R Dukpa, Head, AFD; Chening Pelden, Accounts Officer; Pema Tshewang, Chief Programme Officer and Kezang Dorji, Manager |
|        | <b>Total</b>                 | <b>13.059</b>  |              |   |

The cases are explained below:

#### **2.1 Delay in completion of works – Nu.0.314 million**

The installation of Fire Alarm system at *Gyelyong Tshokhang*, Thimphu was not completed even after grant of time extension of one month. The liquidated damages till the date of audit (i.e. for 93 days of delay) worked out to Nu.0.314 million. No action had been taken.

#### **2.2 Outstanding advances – Nu.12.745 million**

- a) The Ministry had advances of Nu. 12.450 million lying outstanding against various officials and other parties.
- b) The Department of Aid & Debt Management had airfare advances of Nu. 0.245 million lying outstanding against various officials of the Department.
- c) The Department of Revenue and Customs had advances of Nu. 0.050 million lying outstanding against various officials.

## 6.5 Ministry of Foreign Affairs

During the period, the Royal Audit Authority had issued three audit reports of the Ministry of Foreign Affairs and its Embassies abroad. Out of thirty one observations amounting to Nu.7.390

million pointed out in the reports, ten observations amounting to Nu.2.590 million were settled. The total significant irregularities amounted to Nu.3.430 million as summarised below:

| Sl. No. | Observations in brief            | Nu. in Million | Category Code |
|---------|----------------------------------|----------------|---------------|
| 1       | Fraud, Corruption & Embezzlement | 2.225          | 1 & 2         |
| 2       | Shortfall, Lapses & Deficiencies | 1.205          | 5             |
|         | <b>Total</b>                     | <b>3.430</b>   |               |

### 1 Fraud, Corruption & Embezzlement – Nu. 2.225 million

There were cases of strong indicators of fraud, corruption & embezzlement involving Nu.2.225 million as summarised hereunder:

| Sl. No | Observations in brief        | Nu. in Million | Para No. | Who are accountable?              |
|--------|------------------------------|----------------|----------|-----------------------------------|
| 1.1    | Misappropriation of revenue  | 1.189          | 1        | Tshering Tobgay, Passport Officer |
| 1.2    | Cash shortages               | 0.934          | 1        | Pema Dorji and Dorji Gyeltshen    |
| 1.3    | Non deposit of govt. revenue | 0.092          | 4.1, 4.2 | Pema Dorji and Dorji Gyeltshen    |
| 1.4    | Non/Short accountal of funds | 0.010          | 2.1, 2.2 | Pema Dorji and Dorji Gyeltshen    |
|        | <b>Total</b>                 | <b>2.225</b>   |          |                                   |

The cases are explained below:

#### 1.1 *Misappropriation of revenue – Nu.1.189 million*

The Ministry had a case of misappropriation of revenue amounting to Nu.1.189 million collected on account of issue of Passports. However, an amount of Nu. 1.187 million was later deposited into ARA. The ministry had taken only disciplinary actions which did not commensurate with the case of misuse of government funds.

#### 1.2 *Cash shortages – Nu.0.934 million*

The Royal Bhutanese Embassy, New Delhi had cash shortages of Nu. 0.934 million. The cash shortages were concocted through inappropriate adjustment, omission of advance balance, double booking and under statement of cash

balances. However, the cash shortages had been later deposited into ARA. Further, the Department of Public Accounts was intimated for initiating appropriate actions against the defaulter. Appropriate action is awaited for the misuse of fund.

### **1.3 Non-deposit of government revenue – Nu.0.092 million**

The Royal Bhutanese Embassy, New Delhi had not deposited or accounted revenue of Nu. 0.026 million and USD 160 (Nu.6,400 at USD 1 = Nu.40) collected on account of renewal, new issues and extension of Passports. Similarly, as against the total rent collection of Nu. 0.447 million, only Nu. 0.387 million were accounted for in the cash book resulting in short deposit of Nu. 0.060 million. Although, the amount was later deposited into the ARA, no action had been taken for the fraudulent practice.

### **1.4 Non/Short account of funds – Nu.0.010 million**

The Royal Bhutanese Embassy, New Delhi had booked excessive bank charges of USD 115.68 (Nu.4,627.20 at USD 1 = Nu.40) in the cashbook resulting in the decrease in bank balances. Similarly, USD 135 was not properly accounted for in the cashbook resulting in understatement of cash balances. The equivalent amount for USD 135 (Nu.0.005 million) had been later deposited into ARA. No action had been taken.

## **2 Shortfall, Lapses & Deficiencies – Nu. 1.205 million**

There were cases of shortfalls, lapses & deficiencies involving Nu.1.205 million as summarised hereunder:

| Sl. No | Observations in brief                     | Nu. in Million | Para No.      | Who are accountable?  |
|--------|---|----------------|---------------|---|
| 2.1    | Payment made without supporting documents | 0.029          | 3.1           | Tshering Phuntsho, Finance Officer                              |
| 2.2    | Discrepancy in Student Fund Account       | 0.033          | 4.1           | Tshering Phuntsho, Finance Officer                              |
| 2.3    | Irregular withdrawal of government funds  | 0.030          | 6             | Pema Dorji and Dorji Gyeltshen                                  |
| 2.4    | Outstanding advances                      | 1.113          | 6.1, 2.2, 5.1 | Norbu Dhendup, FO; Tashi Dorji; Pema Dorji; and Dorji Gyeltshen |
|        | <b>Total</b>                              | <b>1.205</b>   |               |   |

The cases are explained below:

### **2.1 Payment made without supporting documents – Nu. 0.029 million**

The Royal Bhutanese Embassy, Dhaka had booked an expenditure of Nu.0.037 million (USD 958.04 x Nu.39.00) without supporting documents. However, Nu.0.008 million (USD 207.61 x Nu.39.00) had been later adjusted leaving a balance of Nu.0.029 million (USD 750.43 x Nu.39.00). No action had been taken.

### **2.2 Discrepancy in Student Fund Account – Nu.0.033 million**

The Royal Bhutanese Embassy, Dhaka had shortages of students' stipend of Nu. 0.033 million (USD 831.86 x Nu.40.00). No action had been taken.

### **2.3 Irregular withdrawal of government funds – Nu.0.030 million**

The Royal Bhutanese Embassy, New Delhi had deposited Nu.0.030 million into the ARA of the Royal Audit Authority from the Government Budget Fund to settle the old audit observations. No action had been taken.

### **2.4 Outstanding advances – Nu.1.113 million**

- a) The Ministry had advances of Nu. 0.658 million lying outstanding against various individuals and private parties.
- b) The Royal Bhutanese Embassy, New Delhi had advances of Nu.0.455 million lying outstanding against various individuals, suppliers and private parties.

## **6.6 Ministry of Health**

During the period, the Royal Audit Authority had issued ten audit reports of the Ministry of Health and its departments, divisions and units. Out of the sixty nine observations amounting to Nu.158.806 million pointed out in the

reports, fifty nine observations amounting to Nu.157.373 million were settled. The total unresolved significant irregularities amounted to Nu. 1.433 million as summarised below:

| Sl. No. | Observations in brief             | Nu. in Million | Category Code |
|---------|-----------------------------------|----------------|---------------|
| 1       | Fraud, Corruption & Embezzlement  | 0.079          | 1 & 2         |
| 2       | Shortfalls, Lapses & Deficiencies | 1.354          | 5             |
|         | <b>Total</b>                      | <b>1.433</b>   |               |

## 1 Fraud, Corruption & Embezzlement – Nu. 0.079 million

There were cases of strong indicators of fraud, corruption & embezzlement involving Nu. 0.079 million as summarised hereunder:

| Sl. No | Observations in brief                             | Nu. in Million | Para No. | Who are accountable?  |
|--------|---|----------------|----------|---|
| 1.1    | Manipulation of facts /records and excess payment | 0.057          | 1.9      | Tsheten Gyeltshen, PD; N. Sree Kumar, FM and Nado Dukpa, Deputy Secretary |
| 1.2    | Non-accountal of cash                             | 0.022          | 1        | Pema Tshering, former Accountant and Nado Dukpa, Deputy Secretary         |
|        | <b>Total</b>                                      | <b>0.079</b>   |          |   |

The cases are explained below:

### 1.1 *Manipulation of facts/records - Nu.0.057 million*

The Ministry under its Government of India Project had directed an official of the HIDP to attend Exhibition on construction materials at Bangkok from 4<sup>th</sup> to 7<sup>th</sup> October 2004. However, the official had manipulated the approved note sheet and the air tickets to appear that the incumbent was attending a workshop from 8<sup>th</sup> to 17<sup>th</sup> October 2004. This had resulted into excess payment of Nu.0.057 million. Besides intimating the official concerned to settle the issue, the Ministry had not taken any action.

### 1.2 *Non-accountal of cash – Nu.0.022 million*

The refund of double payment of Nu.0.022 million was not accounted in the cashbook resulting into cash shortages. Although, the amount had been later deposited, no action had been taken against the official responsible on the pretext that the incumbent had resigned from the service.

## 2 Shortfalls, Lapses & Deficiencies – Nu. 1.354 million

There were cases of shortfalls, lapses & deficiencies involving Nu.1.354 million as summarised hereunder:

| Sl. No | Observations in brief         | Nu. in Million | Para No. | Who are accountable?                                       |
|--------|-------------------------------|----------------|----------|--|
| 2.1    | Excess payment to contractors | 0.278          | 1, 2     | Sonam Tobgay, AE and Dr. Ugyen Dopphu, Medical Director    |
| 2.2    | Inadmissible payment          | 0.041          | 1.1 2    | Tsheten Gyeltshen, PD; N.Sree Kumar, FM and Nado Dukpa, DS |

|     |                      |              |          |   |
|-----|----------------------|--------------|----------|---|
| 2.3 | Outstanding advances | 1.035        | 1.1<br>3 | Wangdi Gyeltshen, PD; Phub Tshering, PM; Dr. Lungten Wangchuk; N. Sree Kumar, FM and Nado Dukpa, DS |
|     | <b>Total</b>         | <b>1.354</b> |          |   |

The cases are as explained below:

### **2.1 Excess payment to contractors – Nu.0.278 million**

- a) The Jigme Dorji Wangchuck National Referral Hospital had made over payment of Nu. 0.106 million to the contractor on repair and renovation of staff quarters. Neither the recovery nor any action had been taken against the responsible official/s and the contractor.
- b) The Jigme Dorji Wangchuck National Referral Hospital had made excess payment of Nu. 0.172 million while executing the painting of the Hospital wards. Neither the recovery nor any action had been taken against the responsible official/s and the contractor.

### **2.2 Inadmissible payment– Nu.0.041 million**

The Ministry of Health under its Government of India Project had paid actual expenditure to its Project Director for travels within Bhutan in contravention to the existing norms resulting into inadmissible payment of daily allowances of Nu. 0.041 million. Neither the recovery nor any action had been taken against the responsible official/s.

### **2.3 Outstanding advances – Nu.1.035 million**

- a) The Ministry under its Government of India Project had advances of Nu. 0.090 million lying outstanding against various officials, suppliers and contractors.
- b) The Ministry under its Rural Water Supply & Sanitation Scheme had advances of Nu. 0.945 million lying outstanding against various officials.

## **6.7 Ministry of Information & Communication**

During the period, the Royal Audit Authority had issued seven audit reports of the Ministry of Information & Communication and its departments, divisions and units. Out of the seventy one observations amounting to Nu. 15.944

million pointed out in the reports, fifty five observations amounting to Nu.13.779 million were settled. The total unresolved significant irregularities amounted to Nu.1.163 million as summarised below:

| Sl. No. | Observations in brief             | Nu. in Million | Category Code |
|---------|-----------------------------------|----------------|---------------|
| 1       | Mismanagement                     | 1.116          | 3             |
| 2       | Shortfalls, Lapses & Deficiencies | 0.047          | 5             |
|         | <b>Total</b>                      | <b>1.163</b>   |               |

## 1 Mismanagement – Nu. 1.116 million

There was one case of mismanagement of funds involving Nu. 1.116 million as summarised hereunder:

### 1.1. *Outstanding revenue – Nu.1.116 million (Para 5)*

The Regional Transport Office, Phuntsholing had not collected Annual Vehicle Renewal fees of Nu.1.116 million from various vehicle owners. No action had been taken.

#### **Who are accountable?**

*Prem Prasad Adhikari, ARTO and Sonam Gyeltshen, RTO*

## 2 Shortfalls, Lapses & Deficiencies – Nu. 0.047 million

There were cases of shortfalls, lapses & deficiencies involving Nu.0.047 million as summarised hereunder:

| Sl. No | Observations in brief              | Nu. in Million | Para No. | Who are accountable?                              |
|--------|------------------------------------|----------------|----------|---|
| 2.1    | Inadmissible payment               | 0.026          | 3.1      | Tashi Norbu, Director (Supervisory)               |
| 2.2    | Excess/over payment to contractors | 0.021          | 1.1      | Gyem Tshering, Chief SE and Tashi Norbu, Director |
|        | <b>Total</b>                       | <b>0.047</b>   |          |   |

The cases are explained below:

### 2.1 *Inadmissible payment – Nu.0.026 million*

The Road Safety & Transport Authority, Headquarters had made inadmissible payment of travelling and daily allowances of Nu.0.026 million to its officials. Neither recovery nor any action had been taken.

### 2.2 *Excess/over payment to contractors – Nu.0.021 million*

The Road Safety & Transport Authority, Headquarters had made excess payment of Nu. 0.021 million on the construction of fence around the Road Safety and Transport Authority complex by way of admitting higher quantities against the

actual quantity of works done. Neither recovery nor any action had been taken against the responsible official/s and the contractor.

## 6.8 Ministry of Labour and Human Resources

During the period, the Royal Audit Authority had issued four audit reports of the Ministry of Labour & Human Resources and its departments, divisions and units. Out of the fourteen observations amounting to Nu.1.618 million pointed out in the reports, ten observations amounting to Nu.1.480 million were settled. The total unresolved significant irregularities amounted to Nu.0.055 million as summarised below:

### 1 Shortfalls, Lapses & Deficiencies – Nu. 0.055 million

There was one case falling under shortfalls, lapses & deficiencies involving Nu.0.055 million as summarised hereunder:

#### 1.1 *Excess payment to suppliers – Nu.0.055 million (Para 4)*

The Institute for Zorig Chusum, Trashiyangtse had accepted claims of 25 m<sup>3</sup> to 40 m<sup>3</sup> per truck load of firewood while as per the agreement one truckload of firewood was to be taken as 12m<sup>3</sup> only. This had resulted into excess payment of Nu. 0.055 million. Neither recovery nor any action had been taken against the responsible official/s and the contractor.

#### *Who is accountable?*

*Tshering Wangchuk, Accountant*

## 6.9 Ministry of Works & Human Settlement

During the period, the Royal Audit Authority had issued sixteen audit reports of the Ministry of Works & Human Settlement and its departments, divisions and units. Out of one hundred and ninety eight observations amounting to Nu.451.258 million pointed out in the reports, one hundred and sixteen observations amounting to Nu.287.678 million were settled. The total unresolved significant irregularities amounted to Nu.48.638 million as summarised below:

| Sl. No. | Observations in brief             | Nu. in Million | Category Code |
|---------|-----------------------------------|----------------|---------------|
| 1       | Fraud, Corruption & Embezzlement  | 10.314         | 1 & 2         |
| 2       | Mismanagement                     | 16.159         | 3             |
| 3       | Violation of Laws and Rules       | 11.364         | 4             |
| 4       | Shortfalls, Lapses & Deficiencies | 10.801         | 5             |
|         | <b>Total</b>                      | <b>48.638</b>  |               |

## 1 Fraud, Corruption & Embezzlement – Nu. 10.314 million

There were strong indicators of fraud, corruption & embezzlement involving Nu.10.314 million as summarised hereunder:

| Sl. No | Observations in brief                            | Nu. in Million | Para No. | Who are accountable?  |
|--------|--|----------------|----------|---|
| 1.1    | Payments for works not executed                  | 10.314         | 1.1      | Sonam Wangchuk, JE; Pema Tshewang, Lab Technician; Karma Rinzin, Project Manager, Tshering Wangdi, SE (Roads); Kunzang Wangdi, SE (S&D) and Phuntsho Wangdi, Director |
| 1.2    | Manipulation of bank guarantee by the contractor | -              | 6.1      | Dorji Tshering, EE and Tsheten Dorji, EE  |
|        | <b>Total</b>                                     | <b>10.314</b>  |          |   |

The cases are explained below:

### 1.1 *Payments for works not executed - Nu. 10.314 million*

In the execution of Dense Bituminous Macadam (DBM) and Asphalt Concrete (AC) along the Tashichhodzong-Babesa Expressway, the contractor was paid for 100 mm thick comprising of 40 mm AC and 60 mm DBM as per the design. However, the findings of the Investigation Team revealed that the average thickness of the bituminous pavement actually executed was 70.83 mm with 31.34 mm AC and 39.49 mm DBM.

Not executing the work to the required technical specification had not only compromised quality and workmanship but had also resulted into payments for works not executed amounting to Nu.10.314 million representing 27% of the total cost of the works. Neither recovery nor any action had been taken against the responsible official/s and the contractor.

### 1.2 *Manipulation of bank guarantee by the contractor*

The Field Road Maintenance Division, Trashigang through the Departmental Level Tender Committee had failed to detect a tampered bank guarantee submitted by M/s. Kuenzang Construction during the bid evaluation for the

construction of Mukozor – Tshogonpa Road and resurfacing of approach road to Jigme Namgyel Polytechnic and Royal Bhutan Army Colony at Dewathang. The Contractor had tampered the Bank Guarantee amount of Nu.1.50 million issued by Bhutan National Bank and altered to Nu.5.00 million to win the contract of Nu.3.259 million. The inability of the tender committee to detect such frauds had deprived the Government and the bidders from a fair and competitive bidding. No action was taken on the improper evaluation of bids and for the fraudulent actions of the contractor.

## 2 Mismanagement – Nu. 16.159 million

There were cases of mismanagement (*non-realisation of taxes, fees and rents*) involving Nu.16.159 million as summarised hereunder:

| Sl. No | Observations in brief  | Nu. in Million | Para No. | Who are accountable?   |
|--------|--|----------------|----------|--|
| 2.1    | Non-completion of planned activities/under utilisation of funds    | 6.618          | 4.1.1    | Pema Tenzin, JE and K.N Sharma, Engineer   |
| 2.2    | Illegal occupation of Govt. Land and non-realization of lease fees | 6.376          | 1.1, 1.1 | Kuenzang; Dawa Drakpa; Sangay Penjore; M.C Joseph, Engineer; Thinley Norbu, Architect and Jangchup Gyeltshen, Thrompon |
| 2.3    | Avoidable Expenditure  | 1.085          | 4.2, 10  | Neten Tshering, AE; Kado Dukpa, Dy. EE and Rinchen Peza, Dy. EE  |
| 2.4    | Revenue loss due to non/delayed allotment of stalls                | 1.026          | 3.6      | Ganesh Gurung, SO and Hemraj Chhetri   |
| 2.5    | Retention of huge stock/unserviceable stocks/idle stocks           | 0.400          | 2.2      | Balaram Sharma, AE; Karma Dorji, Engineer; Tek Bdr. Darjee, Store In-charge; Sonam Tobgyel, EE and Tashi Norbu, EE     |
| 2.6    | Non-levy of lease rents  | 0.332          | 1.2      | M.C Joseph, Engineer; Thinley Norbu, Architect; and Jangchup Gyeltshen, Thrompon                                       |
| 2.7    | Short collection of land transfer tax                              | 0.250          | 2.1      | Karma Ghalley, ALR; Karma Dorji, Sr. Urban Planner and Jangchup Gyeltshen, Thrompon                                    |
| 2.8    | Outstanding Revenue  | 0.072          | 3.21     | Ganesh Gurung, SO; Hemraj Chhetri; Chopel Dorji, AE and R.B Das, JE  |
|        | <b>Total</b>   | <b>16.159</b>  |          |  |

The cases are explained below:

## ***2.1 Non-completion of planned activity/under utilization of available funds - Nu.6.618 million***

The Field Division, Department of Roads, Lobesa had abandoned the construction of Jangchubcholing – Tashidingkha road construction after completing about 42 % of the actual length of the road on the pretext that the work was likely to be taken up by the Rural Access Project. Neither the Department nor the Rural Access Project had resumed the work thereafter. The non-implementation of the planned activity had blocked funds amounting to Nu.6.618 million that could have been allocated to other prioritised areas. No action had been taken.

## ***2.2 Illegal occupation of Government Land and non-realization of lease fees – Nu.6.376 million***

- a) The Thimphu City Corporation had not recovered fines and penalties along with the lease rent amounting to Nu.3.763 million for the indiscriminate and illegal occupation of Government land by various private parties. The Corporation had however stated that it has realised lease fees of Nu.0.125 million. No action had been taken.
- b) The Phuntsholing City Corporation had not recovered lease rent amounting to Nu. 2.613 million from various lessees occupying lands exceeding the allotted as per the lease agreement. Besides the fines and penalties applicable under Ka 6.20 of the Land Act was also not recovered. No action had been taken.

## ***2.3 Avoidable Expenditure – Nu.1.085 million***

- a) The Field Division, Department of Roads, Lobesa had made payments of Nu.3.782 million against the value of work done of Nu. 3.351 million in the construction of Samtengang Feeder Road. Similarly, the Division had disbursed payment of Nu.0.926 million as against the value of work done for Nu.0.717 million during the monsoon restoration works. This has resulted into avoidable expenditure of Nu.0.639 million. No action had been taken.
- b) The Field Division, Zhemgang had contracted out the road improvement work on Refee Wangdigang highway at 171.00km to 174.38km (3.38Km) at a cost of Nu.3.396 million. The payment for premix carpeting with bitumen and providing seal coat of premix sand with bitumen amounted to Nu.0.446 million. However, during the year 2006-2007, the same stretch of road was contracted out for resurfacing and the work was ongoing during site visit. This had resulted in the duplication of resurfacing works on the same stretch of road. The amount payable for the same quantity of work in the financial year 2006-2007 was Nu.0.538 million. Had the Division executed proper planning and monitoring, the Government would have saved approximately Nu.0.446 million. No action had been taken.

#### **2.4 Revenue loss due to non or delayed allotment of stalls – Nu.1.026 million**

The Thimphu City Corporation had number of stalls at various locations being not allotted or its allotment delayed causing revenue loss of Nu.1.026 million to the Government exchequer. No action had been taken.

#### **2.5 Retention of huge stock/unserviceable stocks/idle stocks – Nu.0.400 million**

The Field Division, Department of Roads, Lobesa had retained unserviceable and idle stocks valuing to Nu.0.400 million. Some of the materials were not serviceable while others were let to rust or turn obsolete. Further, there were cases where the Central Store had dispatched some of these materials without the requisition being put up the Field Division. No action had been taken.

#### **2.6 Non-levy of lease rents – Nu.0.332 million**

The Phuntsholing City Corporation had failed to realise lease rent of Nu.0.332 million from M/s Kinley Scrap Dealer who was occupying 4,334.85 sq.ft of Land near Norgay Cinema Hall. No action had been taken.

#### **2.7 Short collection of land transfer tax – Nu.0.250 million**

The Phuntsholing City Corporation had collected 5% transfer tax of Nu.0.250 million from a transfer of property valued at Nu.5.000 million. The actual value of the property was Nu.10.000 million resulting into short levy of 5% transfer tax of Nu.0.250 million. No action had been taken

#### **2.8 Outstanding Revenue – Nu. 0.072 million**

The Municipal Corporation, Gelephu had failed to collect municipal taxes and service charges of Nu.0.072 million payable for the Year 2003, 2004, 2005 and 2006. No action had been taken.

### **3 Violation of Laws and Rules – Nu. 11.364 million**

There were cases of violation of law and rules amounting to Nu.11.364 million as summarised hereunder:

| Sl. No. | Observations in brief                     | Nu. in Million | Para No.  | Who are accountable?   |
|---------|---|----------------|-----------|--|
| 3.1     | Non-levy of liquidated damages            | 9.830          | 2.1, 7.2, | Rinchen Dorji, Director; Tshering Dorji, Secretary; Karma Thinley, JE and C.K Pradhan, Project Manager     |
| 3.2     | Non-enforcement of contractual provisions | 1.534          | 6.5       | C.L Sewa; Karchung, JE; Tshering Wangdi, CE; Emnath Chhetri, Project Manager and Phuntsho Wangdi, Director |

|     |                                |               |       |  |
|-----|--------------------------------|---------------|-------|--|
| 3.3 | Execution of substandard works | -             | 2.1.1 | Shiva Lal Sharma, AE and Jangchuk Yeshey, CE |
|     | <b>Total</b>                   | <b>11.364</b> |       |  |

The cases are explained below:

### ***3.1 Non-levy of liquidated damages – Nu.9.830 million***

- a) The Department of Urban Development & Engineering Services had awarded the preparation of Urban Development Structural Plan and local Area Plan for Gelephu, Samtse and Damphu to M/s. Benninger Architectonics USA Inc. The work was delayed by 179 days for which liquidated damages of Nu.0.400 million was not levied due to non-inclusion of liquidated damages clause in the Contract Document. No action had been taken.
- b) The Field Division, Department of Roads, Lobesa had not levied liquidated damages of Nu.9.430 million for 190 days delay in completion of the periodic maintenance of East West Highway, section 434.5 to 482.5KM of PM 7. The 190 days delay was considered as extension of time in deviation to the Section 100, subsection 111.3 of the technical specification. No action had been taken.

### ***3.2 Non-enforcement of contractual provisions – Nu.1.534 Million***

The Department of Roads had paid Nu.1.534 million to four contractors for installation of labour camps including installation of water supply and solid waste disposals, in line with contractual provisions in the widening of Chunzom – Isuna Highway. However, during the site visit, M/s Singye Construction and M/s Welfare Construction had failed to provide such facilities thereby violating the environmental code of practices, occupational standards and contractual provisions. No action was taken for such lapses.

### ***3.3 Execution of substandard works***

The construction of Ngabirongchu Bridge under the Expressway Project was completed in December 2006 but the traffic was restricted to one lane only due to development of some cracks on the Reinforced Cement Concrete (RCC) beams of the left lane of the bridge. Without the completion certificate and proper handing/taking over of the Bridge, the Director, Department of Roads had issued certificate to M/s Bhutan Builders certifying that the major works of the Ngabirongchu Bridge had been completed except for some remedial works.

The authorities attributed the main cause for inducing crack formations in the concrete to earthquake that had hit the bridge thrice after 16 days of concrete casting despite the fact that concrete at the distressed portion of the Bridge had failed three types of tests viz. Cube, Core Drill and the Schmidt Hammer. Thus,

the rationality of concluding the cause of the crack as earthquake alone was not justified.

The Contractor's Check Consultant had also expressed reservations against the design adequacy of the bridge structure itself. The supervising consultant had issued his first warning letter to the Contractor on the failure of the cube test and to take immediate Core Test & rebound Test; and the Second warning letter was issued with the instruction not to remove the Formworks. However, it was stated that the formworks were removed by the Contractor without the knowledge of the Consultants and the crack developed thereafter.

A further audit review had revealed the following deficiencies and lapses:

- Except for a report of crack mapping by the design consultant and the contractor and a joint inspection conducted by the Department with the design consultant and the contractor, the Department had not carried any independent assessment of the overall impact on the bridge structure due to the crack formation. Therefore, the rationality of agreeing to the remedial measures suggested by the design consultant was not understood.
- The Department had not certified as to whether the initial design strength and life span of the bridge would be attained after the remedial measures particularly the placing of steel beam to support the cracked Reinforced Cement Concrete beam suggested by the design consultant, was implemented.
- The remedial measures committed to be completed within April 2007 had not been carried out even as on the date of audit in September 2007. The department however, asserted that the contractor was in the process of fabricating the steel beam to be placed in support of the crack Reinforced Cement Concrete beam of the bridge.

The design and supervision of the bridge was outsourced to a consultant at a total cost of Nu.35.669 million. They were also the supervising consultant for three other bridges. The crack formation on the main Reinforced Cement Concrete beams could have been due to design and supervision failure or substandard execution of works. No action was taken.

#### **4 Shortfalls, Lapses & Deficiencies – Nu. 10.801 million**

---

The Ministry had cases of shortfalls, lapses & deficiencies involving Nu.10.801 million as summarised hereunder:

| Sl. No. | Observations in brief   | Nu. In Million | Para No.                                     | Who are accountable?  |
|---------|---|----------------|--|---|
| 4.1     | Excess/over payments to contractors   | 0.022          | 5.1;<br>6.1;<br>6.2;<br>6.3                  | Thinley Dorji, Procurement Officer; Pem Chewang, CAO; C.L Sewa; Karchung, JE; Emnath Chhetri, Project Manager; Tshering Wangdi, CE and Phuntsho Wangdi, Director  |
| 4.2     | Uneconomical operations & undue financial advantages to contractor  | 1.310          | 6.4  | C.L Sewa; Karchung, JE; Emnath Chhetri, Project Manager; Tshering Wangdi, CE and Phuntsho Wangdi, Director  |
| 4.3     | Irregular payment   | 0.422          | 4.1,<br>4.3.2                                | Kuenzang Lhamo, Accountant; Dak Tshering, DCAO; Phurpa Tshering, JE and Chengay   |
| 4.4     | Excess expenditure  | 0.124          | 1.5  | Ugyen Mama Dorji, AFO and Jangchub Tenzin, EE   |
| 4.5     | Non-return of properties  | 0.024          | 2.3  | Tek Bdr. Darjee, Store In-charge and Sonam Tobgyel, EE  |
| 4.6     | Deficiencies in Bill of Quantities (BoQs) resulting into abnormal deviations and execution of extra works | -              | 3, 5   | Shiva Lal Sharma, AE and Jangchuk Yeshey, CE  |
| 4.7     | Non-implementation of the detailed design, drawings, specification and methodologies                      | -              | 1.2  | Ugyen Pemo, JE; Rinchen Lhadar, JE on contract; K.S.M Pillai, AE; Karma Rinzin, Project Manager; Tshering Wangdi, SE (Roads); Kunzang Wangdi, SE (S&D) and Phuntsho Wangdi, Director  |
| 4.8     | Injudicious decision on the cost sharing mechanism on the mitigation works of the Expressway              | -              | 1.3  | Ugyen Pemo, JE; Karma Rinzin, Project Manager; Tshering Wangdi, SE (Roads); Kunzang Wangdi, SE (S&D) and Phuntsho Wangdi, Director  |
| 4.9     | Outstanding advances  | 8.899          | 3.1,<br>5.1,<br>5.1,<br>3.4,<br>4.1,<br>8, 5 | Dak Tshering, DCAO; Seba Raj Subba, AAO; Sonam Tobgyel, EE; Phurpa Tshering, JE; Phuntsho Wangdi, AE; Ugyen Mama Dorji, AFO; Dhan Bdr. Rai, Accountant; Neeta Pradhan; R.S Tamang, DCAO; Jangchup Gyeltshen, Thrompon and Phuntsho Wangdi, Director |
|         | <b>Total</b>  | <b>10.801</b>  |  |   |

The cases are explained below:

#### **4.1 Excess/over payments to contractors – Nu.0.022 million**

- a) The Department of Urban Development & Engineering Services had made excess payments of Nu.0.022 million on procurement of Acrylic woolen

carpet and PE sheets. Further, the purchases were made directly based on the market canvass rates collected from the firms in Siliguri. No action had been taken.

- b) The Department of Roads had made over payments of Nu.7.398 million in the widening of Chunzom-Isuna Highway. The Department had also not recovered cost of boulders amounting to Nu.2.478 million from the contractors. However, on the instance of the audit, the amount had been recovered and deposited into ARA but appropriate action against the defaulters is being awaited.

#### **4.2 *Uneconomical operations & undue financial advantages to contractor – Nu.1.310 million***

In the widening of Chunzom - Isuna Highway, the Department of Roads had included the construction of employer's office and accommodation with Random Rubble Masonry (RRM) foundation, Concrete flooring, Ekra wall in timber frame and Corrugated Galvanised Iron (CGI) sheet roofing in the Bill of Quantities (BOQ) and the estimates. The same work was awarded at negotiated price of Nu.1.600 million.

However, clause 4, Additional Clauses to section 2, conditions of the contract stipulated that *"The contractor shall provide site accommodation and office along with meeting hall to the employer's engineers (3nos), one Lab-Technician and two site assistants to JEs either by constructing at site or renting it within the project area along with furniture, equipment and communication facilities as specified"*.

The contractor had provided rented office and accommodation to the employer's engineer although the payments to the contractor were regulated as per the rates quoted for the construction. Thus the payments for construction of Nu.1.600 million despite accommodating in rented accommodation had resulted in undue financial benefits to the contractor to the extent of Nu. 1.310 million as the cost of the rented accommodation during the entire construction period would amount to Nu.0.290 million only. Further the accommodations of two engineers were found located beyond 10 km in contrary to 2 to 3 km away from the site stipulated in the contract agreement. The Department had not taken any action.

#### **4.3 *Irregular payment – Nu.0.422 million***

- a) The Department of Urban Development & Engineering Services had paid Nu.0.366 million as compensation for 42 decimal land owned by Cheri Dupdey at Changijji. The payment was made to the Principal of the Dupdey through an open cheque instead of an account payee cheque in favour of the actual beneficiary.

- b) The Thimphu City Corporation had paid for 146 meters of 16sq.mm cables as against the estimated requirement of 5 meters in the construction of two water fountains in Clock Tower Square. The excess requirement without any change in the drawings and specification had resulted into extravagant payment of Nu.0.056 million. No action had been taken.

#### **4.4 Excess Expenditure – Nu.0.124 million**

The Field Division, Department of Roads, Thimphu had made excess expenditure of Nu. 0.124 million in the development of car parking in front of the Ministry of Works & Human Settlement building. No action had been taken.

#### **4.5 Non-return of properties – Nu.0.024 million**

The Field Division, Department of Roads, Lobesa had not received materials such as Acconex, detonator, spacer etc. valuing to Nu.0.024 million issued to various agencies on returnable basis. No action had been taken.

#### **4.6 Deficiencies in Bill of Quantities (BOQs) resulting into abnormal deviations and execution of extra works**

- a) The drawings and designs including preparation of Bill of Quantities for the three expressway bridges was contracted at a total consultancy fee of Nu.16.032 million. Despite the payment of huge consultancy fees, there were huge deviations and execution of extra items involving a financial implication of Nu.38.730 million.

Despite, the payment of over Nu.16.032 million as consultancy fees, the consultant had failed to deliver the expected value for money. Based on the RAA's comments, the Department had decided to impose 10% of the consultancy fees for the mistake committed by the consultant. No action had been taken.

- b) In the construction of Flyover and Viaduct at Changbangdu Bridge, the design consultant was required to provide exhaustive and explicit Bill of Quantities (BOQ) to avoid deviation, changes, additions, alterations and substitution during implementation phase. Despite payment of consultancy fee of Nu.1.685 million, the 2<sup>nd</sup> Running Account bills of the Contractors with reference to the Bill of Quantities (BOQ) revealed abnormal deviations indicating incorrect assessment of Bill of Quantities (BOQ) leading to time and cost overruns. There were cases of significant plus deviations ranging from 3% to 724%. The overall deviations vis-à-vis the financial implication was not ascertainable as the work was still in progress. The above instances were an indication of unrealistic preparation of Bill of Quantities (BOQ) and professional incompetence of the consultant. No action had been taken.

#### ***4.7 Non-implementation of the detailed design, drawings, specification and methodologies prescribed by the Consultant in entirety resulting in premature failure of pavement structure of the Expressway***

The design, drawings and estimates prepared by the Consultant M/s RITES, after in-depth studies and using international standard specification, were considered deficient by the Department of Roads (DoR) leading to unexplained changes in technical specification and material co-efficient as well as curtailment of the scope of works.

The pertinent issues raised amongst others were as follows:

- Non execution of mechanised methods for Base Course Work and Dense Bituminous Macadam & Asphalt Concrete as outlined by the Consultant;
- Non application of Consultant's specification compromising the cost, quality and workmanship; and
- Curtailment of scope of works particularly, non-execution of item of work "Construction of sand blanket satisfying the requirements of specification with approved materials with all lead and lifts" and quantum variations from the quantities specified by the Consultant.

The issues raised had been reaffirmed by the findings of the Investigation Team, wherein the premature failure of the pavement structure of the expressway were concluded as due to changes in the design and drawings, specifications as well as curtailment of scope of works. The payment of huge consultancy fees had been rendered wasteful and the project to a total failure. No action had been taken.

#### ***4.8 Injudicious decision on the cost sharing mechanism adopted by the Technical Coordination Committee (TCC) on the mitigation works of the Expressway***

Based on the field investigation reports and approval accorded by the Technical Coordination Committee (TCC) of the Ministry of the Works & Human Settlement, the Expressway Project had incurred an expenditure of Nu 10.004 million on mitigation works during the financial year 2006-2007.

The expenditures on the mitigation works were met from the government although the failures of the pavement structure of the expressway were due to substandard works executed by the contractors. The review of the related documents on the mitigation works, revealed adoption of cost sharing mechanism based on the approval accorded by TCC. The amounts computed by the TCC against various contractors amounted to Nu.1.270 million which was yet to be realised as on the date of the audit. The decision of TCC on cost sharing mechanism was based on the following aspects:

- Inexperience of the contractors in the execution of project of such magnitude; and
- Incapability in execution of items of work of the project, which were mostly new to the site engineers.

In the cost sharing mechanism adopted, the cost to be borne by the contractors worked out to Nu. 1.270 million by restricting the total rectification cost to Nu.4.051 million as against the actual cost of Nu.10.004 million incurred by the project during the fiscal year 2006-07. Further, the expected expenditure of Nu.2.000 million on mitigation works in the fiscal year 2007-08 was not on record. It was also noted that under the cost sharing mechanism adopted, the cost to the contractors should have worked out to 1.390 million instead of 1.270 million.

The rationality of cost sharing percentage of 40% and 30% adopted by the TCC was not justifiable since the defects in the execution were directly attributable to the laxity of the contractors. Thus the decision adopted by the TCC on the cost sharing mechanism was not only injudicious but extended undue favour to the contractors at the cost of the government. The Department had not taken any action.

#### **4.9 Outstanding Advances – Nu.8.899 million**

- a) The Department of Urban Development & Engineering Services had advances of Nu.2.106 million lying outstanding against various officials, suppliers and contractors.
- b) The Field Division, Department of Roads, Lobesa had advances of Nu.3.852 million lying outstanding against the Central Store, Phuntsholing.
- c) The Thimphu City Corporation had advances of Nu.0.775 million lying outstanding against various suppliers and employees.
- d) The Phuntsholing City Corporation had advances of Nu.0.482 million lying outstanding against various officials and private parties.
- e) The Secretariat, Ministry of Works & Human Settlement had advances of Nu.0.810 million lying outstanding against various officials and private parties.
- f) The Department of Roads had advances of Nu.0.034 million outstanding against various officials.
- g) The Field Division, Zhemgang had advances of Nu. 0.840 million lying outstanding against various officials, contractors and other parties.