



འཇུག་ལྷན་ཁག་གི་ཕྱི་སྐོར་འཇུག་ལྷན་ཁག་

ROYAL AUDIT AUTHORITY  
Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



RAA/GGD/Audit Memo/REC/Paro/2015-16

Date: 25/01/17

Director  
Royal Education Council  
PAro

Subject: Audit Memos

Sir,

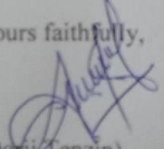
We have completed the audit of the Royal Education Council (REC), Paro for the period 01.07.2014 to 30.06.2016 and during the course of audit, we have noted some deficiencies and lapses. Enclosed herewith please find the findings/observations in the form of audit memos.

The Audit Team would appreciate if the comprehensive replies to the findings are made available on or before ONE week time from the date of issue of audit memos for review and to enable to have a fruitful discussion during the Audit Exit Conference. The place and date of Audit Exit Conference will be intimated in due course of time.

We would request you to fix the accountability against each finding by giving the Employee Identity number as per the enclosed Accountability Statement and submit along with the replies to the Assistant Auditor General, General Governance Division, Department of Sectoral Audit Royal Audit Authority, Thimphu and a soft copy to the email address: dtenzin@bhutanaudit.gov.bt

We acknowledge the kind cooperation and assistance extended to the audit team by the officials and staff members of REC, Paro which facilitated the timely completion of audit.

Yours faithfully,

  
(Dorji Tenzin)  
Audit Officer, Team Leader

Copy to:

1. Accounts Officer, REC, Paro
2. Officer copy

*"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder."*

*-His Majesty the King Jigme Khesar Namgyel Wangchuck*

P.O. Box 191, Kawajangsa, Thimphu, Bhutan. Tel: 322111 / 322833, Fax: 323491  
Website: [www.bhutanaudit.gov.bt](http://www.bhutanaudit.gov.bt), email: [info@bhutanaudit.gov.bt](mailto:info@bhutanaudit.gov.bt), [thezang@bhutanaudit.gov.bt](mailto:thezang@bhutanaudit.gov.bt)

## AUDIT FINDINGS ON THE ACCOUNTS & OPERATIONS OF THE ROYAL EDUCATION COUNCIL, PARO FOR THE PERIOD FROM 01/07/2014 TO 30/06/2016.

### 1. Excess payment of DSA for ex-country short-term training Nu.818,368.00 (US\$12,160)

As per the approved Note Sheet No.REC/CDC/ECCD&SEN/Brl(10)2015-16/798 dated 15<sup>th</sup> December 2015, officials from Royal Education Council (REC) & Ministry of Education (MoE)

consisting of eight professionals were sent to Ractchasuda College, Mahidol University, Thailand as a Trainer of Trainees (ToT) for a period of two months (31/12/2015 to 28/02/2016) under the UNICEF funding in the financial year 2015-16.

As per the BCSR 2012, **Chapter 9, under entitlement clause 9.4.4.1** states that, “a civil servant undergoing ex-country short-term training for a duration of 30 days or less shall be entitled to full DSA for the first 15 days and 50 percent DSA thereafter. If duration of training exceeds 30 days, a civil servant shall be paid stipend for the entire duration”.

However, in contravention to the above cause, it was noted that the management had paid DSA for the first 15 days and 50 percent DSA thereafter instead of paying stipend for the entire duration which resulted into excess payment of US \$12,160.00 equivalent to Nu.818,368.00 (12,160@67.30) which are detailed in the **Annexure: A**. The payment of 80% DSA were made vide voucher No.Dv.1.35 of 31/01/2016 amounting to Nu.1,399,840.00

The excess payment were incurred mainly due to lack of proper supervision and monitoring especially over accounting procedures and process. With consequential increase in the reported expenditure and decrease of the UNICEF project fund balance to that extent for the financial year 2014-15.

Therefore, the management should recover the excess payment of DSA amounting to Nu.818,368.00 and deposit into Audit Recoveries Account besides furnishing appropriate justifications for the above lapses.

### 2. Underutilization of Office Vehicle

Following the Government Order No.C-2/54/601 dated 12<sup>th</sup> December, 2014 for official merger of Royal Education Council, Thimphu and the Department of Curriculum Research & Development (DCRD), Paro to be function as one autonomous agency under the RCSC. Accordingly, the REC, Thimphu had handed over three office vehicles to the REC, Paro.

In total, the REC have four office vehicles to facilitate the operations of REC, Paro. The details of office vehicles is tabulated below:

Sl#	Vehicle Registration No.	Type	Make	Model	Remarks
1	BG-1-A1539	Prado	Toyota	2008	Handed over by REC, Thimphu
2	BG-1-A1634	Hilux	Toyota	2008	Handed over by REC, Thimphu
3	BG-1-A1478	Versa Euro III	Maruti	2007	Handed over by REC, Thimphu
4	BG-1-A2041	Santafe	Hundai	2011	

On analysis of the Vehicles to Drivers ratio, it comes to 4:2. Though the office vehicles of REC, Thimphu has been handed over to the REC Paro, the drivers were found not transferred to the REC as all of them got resigned after the merger of offices.

As of date, two regular drivers of REC Paro are operating the office vehicles and during the physical verification of office vehicles, two office vehicles were found safely parked in the vicinity of REC office resulting into underutilization of office vehicles.

Therefore, the management of REC should furnish appropriate justifications for the vehicles underutilization besides looking for the best alternatives to surrender or recruit drivers after considering the merits and demerits.

### **3. Non refund of security deposit Nu.73,000.00**

On verification of the Receipts and Payments Statement for the financial year end 30<sup>th</sup> June 2016, it was noted that a sum of Nu.73,000.00 were reflected as an outstanding advances for the REC Office space in Thimphu. The payment of security deposit were made vide voucher No.DV.8.14 of 10/08/2012 for Nu.73,000.00.

The Management of REC had sent a written notice of intention to terminate vide letter No.REC/ADM/Mis-(28)/2015-2016/1448 dated 6<sup>th</sup> July 2016 and requested for the official handing over of the REC Office space to the lessor.

As per the revised Lease Agreement dated 2<sup>nd</sup> August 2011, under the clause 3 of Security Deposit, it states that the Security deposit will be refunded to resident within 30 days after the premises have been completely vacated less any amount payable such as unpaid rents, cleaning charges, cost of repair of damages items, common wear and tear etc.

In contravention to the above clause in the lease agreement, it was noted that the security deposit of Nu.73,000.00 has been not refunded by the landlord/lessor as on the date of audit 9<sup>th</sup> January 2016. Further, there wasn't any written accounting of charges payable to the Lessor presented to the REC management within the 30 days of move-out.

Therefore, the management of REC, Paro should provide justifications for not recovering the security deposit amounting to Nu.73,000.00 from the lessor besides providing justifications for not maintaining Handing Taking Note of REC Office space though it has been already handed over.

### **4. Non-implementation of UNICEF budgeted planned activities with resultant non - achievement of planned target and blockage of Projects funds Nu. 2.5 Million-(5.12.1)**

On review of the financial statements of the REC for the financial year 2015-16 particularly the Expenditure Statement for the year end 30<sup>th</sup> June 2016, it was noted that UNICEF budgeted planned activities for the FY 2015-16 with the approved budget appropriations of **Nu.2.5** million representing 100% of the total appropriation were found not implemented with resultant non- achievement of planned targets. The status of Project activities not implemented during the audit period under review is tabulated below;

Financial Year	Activities	Funding	Status	Revised Budget in Million (Nu.)	Expenditure in Million (Nu.)	Variance in Million (Nu.)	% Variation
2015-16	Capacity building of Teachers Teaching children with low vision and blend through institutional contact.	UNICEF /2215	Not implemented	2.5	0.00	2.5	100%
	<b>Total:</b>			<b>2.5</b>	<b>0.00</b>	<b>2.5</b>	<b>100%</b>

Non-implementation of Project activities despite allocating approved budget appropriations had resulted in blockage and ineffective use of Project funds. Thus, the under achievement of planned activities was noted as deficiencies in planning as well as in the execution of activities.

Therefore, the UNICEF Project Management should provide appropriate justification for non-implementation of planned activities.

#### **5. Non-segregation of bank balances of the RGoB and Project Accounts operated through same LC a/c and non -surrender thereof (4.2.5)**

During the audit of Royal Education Council (REC), Paro for the fiscal year 2015-2016, it was noted that the LC account were used for recording the accounting transactions of Projects including UNFPA, UNICEF and Save the Children Fund project.

While carrying out the individual fund reconciliation of the Projects as well as the RGoB funding as on year ended 30<sup>th</sup> June 2016, it was noted that the overall fund balance available were Nu.3,833,706.17 and found lapsed to the Budget Fund Account. The details of lapsed fund segregated are tabulated below:

Particulars	Amount (Nu.)	Remarks
Bank Lapsed	3,833,706.17	Lapsed to DPA
<b>Total</b>	<b>3,833,706.17</b>	
UNICEF fund under FIC 2215	2,500,000.00	Lapsed along with LC fund.
SCF fund under FIC 4077	32,062.00	Lapsed along with LC fund
Actual LC a/c fund lapsed	1,301,644.17	Actual fund balance lapsed from LC a/c
<b>Total</b>	<b>3,833,706.17</b>	

As circular issued by Department of Public Accounts, Ministry of Finance vide No. DPA(AD)-Circular/2009-10/7579 dated April 6, 2010 clearly states that the “releases made available for Donor Funded activities should be exclusively used for the donor funded activities only and the balances from such releases at the end of the fiscal year should be

*surrendered to DPA by way of demand draft or cash warrants clearly indicating the Financing Item Code against which such releases have been received”.*

In contravention to the above Circular, it was noted that the fund balance amounting to Nu.2.532 million were not surrendered to the DPA pertaining to the UNICEF & Save the Children project fund by way of demand draft or cash warrant instead it were lapsed together with the LC fund balances.

Therefore, the REC management should provide appropriate justification for non - segregation of bank balances of the RGoB and Project Accounts operated through same LC a/c and non -surrender thereof.

## **6. Wasteful expenditure on account of payment of rent Nu.1,059,960.00**

As per the Government Order No.C-2/54/601 dated 12<sup>th</sup> December 2014, the Royal Education Council, Thimphu and the Department of Curriculum Research & Development (DCRD), Paro were officially merged as one autonomous agency under the RCSC. However, after officially being merged from 12<sup>th</sup> December 2014, the LC account were found merged only on July 2015 onwards.

Despite LC account being merged from the financial year 2015-16, the Erstwhile REC, Thimphu has been operating independently at Thimphu and upon verification of the broad head code 12a “Current Expenditure” particularly the object code 13.01 (Rental charges), it was noted that the management of Erstwhile REC has been paying monthly rental charges @ 88,330.00/month to lessor and paid total amounting to Nu.1,059,960.00

If erstwhile REC, Thimphu had surrendered the structure to the lessor upon merging of LC account in the financial year 2015-16, the management could have save Nu.1,059,960.00 to the government exchequer.

Therefore, the management should provide appropriate justifications for making wasteful expenditure amounting to Nu Nu.1,059,960.00 on account of payment of rental charges after LC account being merged.

## **7. Non maintenance of Common Inventory list after merger**

After LC account being officially merged from the financial year 2015-16, it was noted that the Stock Register were maintained independently both by the Erstwhile REC, Thimphu & REC, Paro as on the date of audit (9<sup>th</sup> January 2016).

Since two offices were merged as one autonomous agency under the RCSC, the REC, Paro should have common Inventory Register to record both consumable and non-consumable items. The consequences of not maintaining a common Inventory Register would result in;

- Difficulty in ascertaining the total procurement made by the REC and;
- Non- uniformity in the codification of assets will arise (Non codification, wrong codification and duplicate codification of assets).

Therefore, the management should provide justification for not- maintaining common inventory Register besides ensuring to maintenance of common inventory Register for accountal of assets both consumable and non-consumable.

### **8. Re-deployment/transfer/fresh appointment of REC staffs after merger.**

Following the series of consultations between the Ministry of Education(MoE) and the Royal Education Council (REC) and several deliberations by the Cabinet, the Royal Government has decided to merge the Royal Education Council and the Department of Curriculum Research & Development (DCRD), Paro as one office due to the cross cutting of their roles and responsibilities.

Accordingly, vide Government Order No.C-2/54/601 dated 12<sup>th</sup> December 2014, the Erstwhile REC, Thimphu and the Department of Curriculum Research & Development (DCRD), Paro under the Ministry of Education were merged as one autonomous agency as “ Royal Education Council” under the RCSC on 12<sup>th</sup> December, 2014.

The first group of employees from erstwhile REC were considered on service transfer whereas the second group of erstwhile REC employees for CIE were recruited on contract as fresh appointment. However, later on, both the employees were treated at par as conveyed vide letter No.RCSC/HRMD/22/2015/1467 dated 27<sup>th</sup> November, 2015.

The professional staffs who falls under the administrative cadre both from the erstwhile REC, Thimphu and the Centenary Institute of Education (CIE), Yonphula were re-employed on a contract basis by the RCSC and some were voluntarily resigned from the services. However, Mr. Sonam Tobgye, employee of Centenary Institute of Education(CIE), who is pursuing PHD in Science Education at Teachers College, Columbia University, USA for 36 months w.e.f September 2014 were neither featured in the new appointment list of RCSC nor in the list of Re-deployment of administrative and support staff issued by the Cabinet Secretary vide letter No. Cabinet Secretary S/26/166 dated 19<sup>th</sup> August 2016.

On the other hand, the administrative and support staffs of erstwhile Royal Education Council were found without appointment/transfer to any agencies as on date of audit (2<sup>nd</sup> January 2017) though the letter of re-deployment of administrative and support staff were issued vide letter No. Cabinet Secretary S/26/166 dated 19<sup>th</sup> August 2016.

The administrative and support staffs of erstwhile REC were temporally transferred to Ministry of Education and the staffs of Centenary Institute of Education (CIE), Yonphula are still stationed at Yonphula as on date of audit though the pay and allowances were budgeted from the REC LC A/c, Paro.

Therefore, the management of REC, Paro should consult with the relevant stakeholders/agencies and expedite for the Re-deployment/transfer/fresh appointment of administrative and support staffs of erstwhile Royal Education Council including Mr.Sonam Tobgye who is pursuing the long term studies and audit intimated.

## **9. Delay in adjustment of Temporary Advances Nu.18,800,810.00**

As per the Financial Rules and Regulation 2001, section 4.1.4 of Temporary Advances under clause 4.1.4.2 b states that *“the Head of Office may designate Temporary Advance Holders for making disbursements against specific purposes within a specific time. The advance paid for such specific purposes shall be called Temporary Advance. The Temporary Advance Holder shall submit an account of utilization of the Temporary Advance to the Head of Office immediately on completion of the assignment. Unspent balance of the advance shall be refunded along with the submission of the accounts”*.

The Royal Education Council (REC), Paro had released an advances to REC officials to carry out the activities pertaining to professional development. On review of the expenditure against advances released in line with the above rules and regulation, it was observed that an advance holders had failed to settle the advances on time. The advance holders had delayed in adjustments of advances ranging from minimum of 50 days to maximum of 128 days to settle the accounts after completing the assignments. The details of delayed in settlements of accounts are detailed in the **Annexure-A**.

Further, the team noted that the unspent fund balances were refunded to the AFD after one month time from the settlement of accounts instead of making refund at the time of bills settlements. The same lapses were pointed out by the preceding auditors vide audit memo no. RAA/SCID/DCRD-MoE/2015/1656 dated 19<sup>th</sup> June, 2015 (memo no.02) and the management agreed to settle the advances on time during the audit exit meeting. However, the same lapses were also noted during the current audit. Therefore, the REC management should furnish appropriate justifications for non-settling the accounts on time as stipulated in the FRR 2001.

## **10. Irregularities in the maintenance of Property-Building Nu.113,400.00**

On review of the current budgetary expenditure under the object head “Maintenance of Property-Building for the financial year 2015-16, following irregularities were observed:

### **10.1 Work executed without detail estimates**

For any civil works costing more than Nu.50,000.00 a competent authority should issue a Technical Sanctions after preparing architectural drawings & designs and detail estimates which subsequently leads to an issuance of Administrative and Financial Sanction. On review of the accounting records, the Royal Education Council, Paro had constructed Aluminum partition wall in the office during the financial year 2015-2016 amounting to Nu.113,400.00. On review of the related expenditures for the construction of Aluminum partition wall, it was observed that the construction of Aluminum partition wall were executed without preparing architectural drawings & designs and detail estimates which resulted into non- issuance of either Technical Sanction or Administrative and Financial Sanction prior to execution of the work.



Therefore, the management of REC should furnish appropriate justifications for failing to comply with the Procurement Rules and Regulations 2009.

### 10.2 Direct award of the work

As per the Procurement Rules and Regulations 2009, every government organization is required to float open tender for any purchases made involving amount more than Nu.20,000.00. The purpose of tendering is to ensure transparency, achieve uniformity, achieve economic and efficiency and fair and equal access to the suppliers, consultants and contractors for award of contracts for supply of goods and services or works.

However, on verification of the maintenance of property-building, the management of the REC has directly awarded the construction works of Aluminum partition wall without calling quotations to M/s. Pema Tshongkhang, Paro and payment were made vide disbursement voucher no.6.82 dated 29/06/2016 and 6.71 dated 27.06/2016 amounting to Nu.113,400.00 respectively.

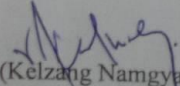
The consequences of not having competitive pricing would results in favoring of particular contractor or suppliers and will also results in non-obtaining of lowest evaluated price. Therefore, the REC management should justify for making direct award of work in violation Procurement Rules and Regulations 2009.

### 11. Payment made without stock entry Nu.535,915.00

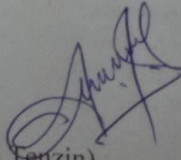
On verification of object head S & M-Office supplies, printing and publications of the Royal Education Council, Paro it was observed that the accounts section had executed the accounting transactions on S & M-Office supplies, printing and publications bills amounting to Nu.535,915.00 without stock entry during the financial year 2015-2016.

The accounts section should cross verify the stock entry list with the bills to authenticate that the items procured were accurately received (quantity and specification) before making passing the payments to the payee. The details of such items are given in the **Annexure-B**. Therefore, the management should furnish appropriate justifications for making payments without actually recording the accountal of procurement in the Stock entry besides furnishing the updated stock entry to the audit team for further verifications.

Director  
Royal Education Council  
Paro

  
(Kelzang Namgyal)  
Auditor, Team Member

Noted

  
(Dorji Tenzin)  
Audit Officer, Team Leader



## Accountability Statement

**Name of the Agency** : Royal Education Council, Paro

**Period Covered** : 1<sup>st</sup> July 2014 to 30<sup>th</sup> June 2016

**Date of audit exit meeting** :

Audit Memo No.	Observation in brief	Person accountable		Overall supervisory responsibility	
		Name & designation	Employee CID No.	Name & designation	Employee CID No.
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

**Name** :

**Designation** : Director

**Agency** : Royal Education Council, Paro