



ཐིམ་ཕུ་ཐྲོམ་ད
Thimphu Thromde
Building No: 08
Gongdzin lam
Thimphu -11001: Bhutan



TT/IAU-05/2018-2019/ 2098

26/06/2019

Executive Secretary

Thimphu Thromde

Thimphu

Subject: Internal Audit Report on the "Review of office supplies and stationeries"

Sir,

I have the honour to submit herewith final report on Office Supplies and stationeries of Thimphu Thromde for your kind information and perusal, please. A draft report was already sent to Procurement Officer on 11/06/2019 for his comments and necessary actions on the observations made. Some of the responses received from the Procurement Section are also incorporated in the report. Our recommendations on the findings are given in the report for probable actions as deem appropriate. The report will be shared through respective official email.

Thank you for the cooperation and will look forward in future too.

Yours faithfully

Phub Dema

Asst. Internal Auditor

Copy to:

1. Dasho Thrompon, Thimphu Thromde for kind information
2. Chief Internal Auditor, Central Coordinating Agency, MoF for kind information
3. Chief Administrative Officer, Thimphu Thromde for necessary action
4. Procurement officer, Thimphu Thromde for necessary action
5. Office Copy.



Internal Audit Unit

Internal Audit Report on “Review of office supplies- stationeries of Government Agency”

Reference: TT/IAU-4/2018-2019/2098

Name of Auditor	Phub Dema, Asst. Internal Auditor
Period of review	Financial Year 2015 to 2019
Circulation:	Dasho Thrompon, Thimphu Thromde Executive Secretary, Thimphu Thromde Chief Internal Auditor, CCA, MoF Chief Finance Officer, Thimphu Thromde Chief Administrative Officer, Thimphu Thromde Procurement Officer, Thimphu Thromde

Glossary Priority ratings have been assigned to issues raised in this report as follows:

Rating scale for individual findings	
Critical	Active management attention required as an extreme priority. Controls are not adequate to address the associated risk.
High	Active management attention required as a high priority. Controls are not adequate to address the associated risk.
Medium	Active management attention required as a moderate priority. Controls are not adequate to address the associated risk.
Low	Active management attention not required on priority. Controls are more or less adequate to address the associated risk.

Rating scale for overall report

Control is inadequate			Control is adequate	
E	H	M	L	CC
Extreme Priority	High Priority	Moderate Priority	Low Priority	Control Critical Test controls Regularly

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Chapter 1: About the Audit

The audit on the budget code 14.01 Office Supplies-Stationeries of Government Agency is carried out as per the Minutes of 86th Planning and Policy Coordination Meeting (PPCM) held by Ministry of Finance (MoF) and the **Central Coordinating Agency (CCA)**, which is endorsed as the thematic audit for the internal audits to carryout in all the Ministries, Dzongkhags and Agencies uniformly. This is because such costs have huge ramifications on the allocation of budget and recurrent expenditures of the agencies.

Last three consecutive years i.e., from July 2015 to June 2019 records of the budget code 14.01 were reviewed. Scope of the Audit is to evaluate the internal control, compliance, and financial implications. The total cost of the office supplies- stationeries of Thimphu Thromde in FY 2015-16 was Nu. 1969000; FY 2016-17 was Nu.1830000; FY 2017-18 was Nu. 1500000; and FY 2018-19 is Nu. 1594000 as per the Financial report. Other then the few observations, no huge discrepancies were observed during the audit on the budget code 14.01.

Audit scope

The review focused on test check of the effectiveness of the control in the agency for the office supplies and stationeries for the financial year 2015-16 to 2018-19.

Audit objectives

1. To review the adequacy and effectiveness of internal controls involved in management of government property.
2. The items or varieties purchased under budget code 14.01 office supply and stationery in agency are of genuinely needed or not.
3. Is there increase in budget allocation for budget code 14.01 for last three years? What triggers the increase in cost?
4. Does the closing stock of stationery takes into consideration while proposing for next budget proposal?
5. To identify opportunities for improvement as appropriate.

Audit Methodology

The evidence gathering and audit techniques used to meet the audit objectives include:

1. Review of supply order, stock ledger, sub ledger of budget head 14.01 and other relevant documents maintained with Procurement Section and Accounts Section.
2. Interaction with the concerned dealing officials and physical verification

Limitation

Our Internal Audit work was limited to that described in this report and was performed in accordance with Internal Audit Manual 2014 issued by Ministry of Finance, Bhutan. We did not audit or otherwise verify the information supplied to us in connection with this engagement, except to the extent specified in this report or our approved objectives and scope.

Observations and recommendation

Following are the some of the significant findings are listed and described below;

1. No closing stock report/list is maintained

During the review, IAU observed there is no trend of maintaining and reporting the closing stock of office supplies and stationeries even if there was a closing stock left with agency during a year. Moreover the store ledger was not closed at the end of financial year, during the physical verification there was no stock left with the agency but the stock ledger shows the otherwise (Annexure 1). This situation/system invites prone to misuse or it's a red flag indication for forgery to happen in the agency in near future.

Till date no closing stock details were presented to accounts section and never accounts section asked for the detail which can be used as reference to proposed budget proposal for budget code 14.01 or others budgetary heads. Because of this every budget proposal phase Accounts Sections estimates the budget assuming closing stock as zero wherein reality stock closing cannot be zero. This depicts there is no link between procurement section and accounts sections. Moreover, this issue was the concern of Ministry of Finance raised during 86th PPCM stating no agency in country ever disclose its closing stock which there may be closing stock left in the agency during year closing.

Lapses occurred because there was no trend of maintaining closing stock and it was continued.

Recommendation

Since there are no subsidies from government for the current deposit account of Thromde from fiscal year 2018-2019, all the current expenditure has to be met from Thromde revenue account. Therefore small act maintaining and reporting the list of closing stock by procurement section and sharing with accounts section can help the management to know and cross check the records of expenditure statement with the record of stock actually used and left in the agency during the year closing. Moreover, this will help to determine the proper utilization of recourses by the agency and misuse of the government property can be reduced.

Response

The Procurement Section of Thimphu Thromde is not procuring the materials in bulk and still following the trends till now, the materials are procured as per the requisition submitted by the concern division and on case by case based. No such huge stock balance is left in the store; the few leftover materials were carried over to the next financial year and issued accordingly.

The procurement section respect the findings and recommendation of the Internal Audit which the procurement section will implement the recommendation from the financial year 2019-2020 onwards.

2. Closing cash balance need to surrender to Thromde Revenue Account

During the review, IAU observed the existence of closing cash balance in the sub-ledger record in 2015-16, 2016-17, and 2017-18 budget code 14.01 of Thimphu Thromde amounting to Nu.6,95,409.46 (Table 1). As per Finance & Accounting Manual 2016, chapter 8, sub clause 8.1.7 miscellaneous Receipt/Payment, 8c payment to Department of Public Accounts (DPA) states that the closing cash balance should be surrender back to DPA.

Since in Thromde all the current expenditures are met through the Thromde Revenue Accounts even if there is closing cash balance (Fund Lapse), it should be remitted to Thromde Revenue Account for better internal control.

During the consultation with the concerned official about above closing cash balance from budget code 14.01, concern official intimidated to IAU that the above cash balance was re-appropriate and used for the settlement of others bills.

IAU is in view that if the re-appropriation was carried out then current sub ledger should show no difference in debit and credit amount but during the review, IAU found the difference which depicts the existence of closing cash Balance and reconciliation need to be done for the CD account.

Table 1

Financial Year	Budget Allocated	Actual Expenditure	Difference
2015-2016	1969000	1440736	528264
2016-2017	1830000	1744005.54	85994.46
2017-2018	1500000	1418849.92	81150.08
		Closing cash balance	695408.54

Fig (Data extracted from Sub-ledger (CD Accounts of Thimphu Thromde))

Recommendation

In consultation with the concerned official on above issues, Henceforth they are going to reconcile and if in the year, there exist closing cash balance (net balance) the accounts section are going to surrender back to Thromde Revenue Accounts. IAU would like to recommend the same to avoid future obligation from the external parties.

3. No segregation of supply order based on current and Capital expenditure

During the verification of the documentation maintained with the store keeper (procurement section), it was observed that all the supply order both for current and capital budget are kept together in one guard file.

Recommendation

Since the budget head are different and to keep easy trace of record it is advisable to maintain different file for different budget head.

Response:

Since Procurement section only maintain the furniture and office equipment stock entry which is minimal quantity in a year and as the filling of the documents were done based on the filling

number accordingly irrespective of capital and current budget, which we changed every financial year.

The procurement section respect the findings and recommendation of the Internal Audit which the procurement section will implement the recommendation from the financial year 2019-2020 onwards.

4. Make the provision of mentioning “amount chargeable from” in supply order uniform

During the verification of the supply order documents, it was observed that the procurement section mentions the provision of amount chargeable from budget head in the supply order other than the requisition form which IAU is in view that it's a good initiative since this will give confidence to the supplier as well as easier for store in charge to update the record and accounts personnel for payment. Since the provision is mentioned in every supply order, it should be uniform and complete because there were few supply order which mentions the chargeable provision but the sentence is incomplete (Fig 2)



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Thimphu Thromde
Building No: 08
Gongdzin lam
Thimphu -11001: Bhutan



04/TT/PR/17-2018/ 537

Date: 7/05/2018

To,
M/s. Karma Office Supply
Contact No.
Thimphu: Bhutan

Sub: Supply Order

Sir/Madam,

Kindly arrange to supply the following goods at agreed terms & conditions of the rate contract for FY 2016-2017.

Sl/No	Description	Qty	Rate (Nu.)	Total Amount (Nu.)	Remarks
1	Cartridge for Ricoh SP 300 DN	1 No.	3000.00	3000.00	

Total order value: Nu. 3000.00 (Three Thousand) only.

Delivery Place: Store Lungten Zampa, Thimphu Thromde.

Delivery instruction: Should be deliver from ready stock.

Penalty: The late delivery penalty shall be levied at the rate of 0.1% per day up to a maximum of 10% of the total order value.

The bill may be submitted to this office for settlement and chargeable to

Yours Sincerely

(Sonam Rinzin)
Asst. Procurement Officer.

Cc:

1. Mr. Santosh Subba, Engineer, ID, TT for kind information.
2. The Store In- Charge, TT for necessary record and follow up action with the supplier.

Dasho Thrompon: +975-2-323665, Executive Secretary: +975-2-340355
Phone: +975-2-336310/322757/322265 Fax: +975-2-323662/340415/338951/334203
www.thimphucity.bt

Fig 2

Recommendation

Henceforth it is advisable to continue the trend of mentioning the fund chargeable from budget head to make it uniform.

Response:

Based on the budget code indication by the Accounts section in the requisition form, the procurement section issued the supply order accordingly. Until and unless there is no budget indication in the requisition form, the procurement section don not accept the requisition. The

procurement section does really indicate the budget chargeable in the supply order, which is attached here for reference.

The procurement section respect the findings and recommendation of the Internal Audit which the procurement section will implement the recommendation from the financial year 2019-2020 onwards.

5. The list of supplier defaulting in delivery of goods on time should be maintained for future reference

During the review on the how effective the Thimphu Thromde (Procurement Section) ensures that the supplier deliver the goods on time, IAU observed that the penalty as per Procurement rules and regulation (PRR 2016) are mentioned as a provision in supply order and strictly the penalty are levied on late delivery by the agency.

IAU observed few cases where the late deliveries by the suppliers are exceeding more than 7 days (Annexure 2) and the penalty of 0.1% are levied per day does not put monetary pressure on the suppliers since office stationery and supply are purchased on need base and quantities are less.

Recommendation

Therefore, the records of defaulter needs to be maintained and should use as reference in the next tender meeting if the same supplier or agency participates in the tender. A mandatory criteria need to be formulated whereby the suppliers defaulting delivery of goods should get disadvantage over other participants.

Response:

Regarding the applicability of the LD levying to the suppliers, the Procurement Section follows the PRR 2009 and levies the penalties accordingly. If the supplier LD exceeds 10% of the total order value which 100 days delay, the management terminates the default suppliers and suspends

at least a year within the agency and forfeits the performance security accordingly. The evidence is attached here for references.

Conclusion

Internal control system related to the office supplies- Stationeries in Thimphu Thromde is good.

Except for the observation mentioned above no significant irregularities are found.

Sl No	Office supplies	Y	N	N / A	Comments	Date	Division head
1	Does one employee manage the ordering, control, storage and disbursement of office supplies?		✓		Ordering of the office stationeries are done based on need basis, where by different parties' handles different task thus, the segregation of duties exist.		Procurement officer
2	Upon receiving items, does the supply manager check that the items received match the order invoice?	✓			The store in charge verifies the goods received then only the bills are accepted and send for the payment		Store in charge
3	Are supplies kept locked?	✓			Supplies are kept in locked (verified through adhoc physical verification)		Store in charge
4	Do department heads sign for departmental stationery orders?	✓			Verified through the requisition form and note sheet		
5	Does the procurement Officer ensure that stocks are	✓			After the "Need Basis Control" was initiated the goods were maintained at reasonable. (Verified		Procurement officer

	maintained at reasonable but not excessive levels?				through the stock ledger)		
6	How strictly the penalties are levied for the late delivery by the supplier?	✓			Store in charge sends the reminder letter to supplier and after receiving of the goods with verification, the penalty are deducted.		Procurement section

Annexure 1: Closing Stock as per the store ledger

Closing Stock for FY 2015-16							
Sl.No	Item	Date	Agency	Bill No	Balance	Rate	Total Amount
1	Photocopy paper A3			6199	16	350	5600

Closing Stock for FY 2016-17							
Sl.No	Item	Date	Agency	Bill No	Balance	Rate	Total Amount
1	Arch File	3.11.16		1691	91	72	6552
2	stand fan	14.9.16		535	1	2187	2187
3	dispatch register	20.7.16	AB trader	14	6	175	1050
4	A4 paper	13.1.17			314	164	51496
5	A3 paper	18.1.17			2	350	700
6	tonner 116	4.10.16		1532	5+1	900	5400
				1512	3	900	2700
7	tonner TN 116	19.8.16			1	900	900
8	fax Flin no kx Fa93 (Panasonic)	18.10.16			6		
9	tonner (Cartage)05A	18.10.16			5	824	4120
10	tonner (cartage 12A)	8.8.16			3	758	2274
11	calculator 100/80	12.12.16			2	228	456
12	cello tape white	8.12.16			53	17	901
13	Scissor	5.8.16			10	38	380
14	tonner cartiage 5200-16A	4.8.16			1	2932	2932
15	register0020	4.1.17			8	78	624
16	high lightpen set	28.12.16			22	72	1584
17	rubber bad	3.10.16			3	160	480
18	tonner (cartiage)309	3.10.16			4	1400	5600
19	paper tray (3 st)	22.11.16			5	365	1825
20	punching machine	16.12.16			1	70	70
21	torch light 3 C	9.1.17			16	380	6080
22	plastic pocket file	16.12.16			37	6	222
23	ring binder file	13.1.17			122	44	5368
24	tonner 96A	1.9.16			1	1390	1390
25	tonner 16A	30.12.16			1	2932	2932
26	Phenol	12.9.16			15	25	375
27	tonner 28	6.10.16		1471	3	820	2460
28	hard broom	5.1.16			8	24	192
29	Softbroom	30.11.16			17	29	493
30	color tonner	20.10.16		11301	1	3800	3800

Closing Stock for FY 2017-18

Sl.No	Item	Date	Agency	Bill No	Balance	Rate	Total Amount
1	Extension cord	4/8/2017	Dejung Norbu Enterprise	1586	6	419	2514
2	Toner cartridge 80 A	7/3/2018	Dejung Norbu Enterprise	410	2	848	1696
3	Toner cartridge To-116	14/8/17	Dejung Norbu Enterprise	1714	1	1450	1450
		20/9/18		1884	4	1450	5800
4	stapler pin	7/9/2017	Mama enterprise	704	105	11.99	1258.95
5	duster cloth(12*12)	31/7/17	Mama enterprise	714	40	13.99	559.6
6	printer cartridge ML102850A	5/12/2017	Mama enterprise	706	3	3600	10800
7	cello tap 2"	21/5/18	Nana Enterprise	2966	28	18	504
							24582.55

Annexure 2

BILL **DEJUNG NORBU ENTERPRISE**

P.O. Box No. 1224, Hongkong Market, Thimphu
 Tele : +975-2-336424, Fax : +975-336434, Mobile : 17645052/17618892
 Deals in : Books & Stationary, Games & Sports Items, computer accessories and order Supplies
 Email : dejungnorbuenterprise@yahoo.com



AB07681

To	Pro. Officer	Bill No.	933
	Thimphu Thromde		
	TIPM		
lo.	U36	Date	
	8/2/19		

Particulars	Qty	Rate	Amount
			Nu. Ch.
Marker Pen	120	7	840 = A
Stamp pad	10	22	220 = A
Stamp pad ink	10	18	180 = A
		14	140 = C
entered record on 5/5/19 and penalty deducted Nu-137.15 for 30 days. Total amount payable to Nu-1062.85			
Bill No. Dated. Verified and Accepted For Nu. 1062.85 Taken in To Stock Ledger No. 102, 103, 105 Page No. Chargeable other supplies Total 1200 = A			

Procurement Officer
 Thimphu : Thromde

words... One thousand two
 hundred and twenty
 only.

Date: 8/2/19
 2 thousand sixty two of ch. eight nine only.
 For Dejung Norbu Enterprise

འཕྲུལ་ལྷན་ཁག་ Rubyang Enterprise

Entity Code:101-416-79 /TH01

Hardware, Electrical and Building materials
Changzamtok, Opposite Call-Centre, Post Box 1104, Thimphu, Bhutan
Phone: 333009/17884630

BILL

No. 094

Date: 12/12/2018

To: Thupha Thondro
Procurement officer

Order No. TT/PRO-04/2018-19/257 Dated: .

Sl. No.	PARTICULARS	QTY	RATE (Nu.)	AMOUNT
1.	Tuse light starter	20	9	180/2
Material received on 12/12/18. The late penalty 7 days late can be.				164.54
Nu - 180				178.20
Nu - 164.54				164.54
TOTAL				180/2

Please make all cheques payable to Rubyang Enterprise

Nu. one hundred eighty
any

FOR RUBYANG ENTERPRISE

BILL

TPN No. : KAB38927

KUENGA TRADING

*Deals in : Agro Chemical, Lab Chemicals, Lab Glass Ware, Equipments
& Stationary etc.*

Ph. : 05-251022
Mob. : 17633506
77399654

PHUENTSHOLING :: BHUTAN
E-mail : gelephukuenga@gmail.com

Name <u>Procurement Officer</u>	Sl. No. <u>28</u>
Address <u>Thimphu Thimphu</u>	Date <u>1/11/2018</u>

S/O No. : OU/TT/PROC/2018-2019/222 Dated : 28/08/2018

Sl. No.	DESCRIPTION	QNTY.	RATE	AMOUNT	
				Nu.	Ch.
1.	Glass Microfiber white Man Gf/c/47mm circle	1	1100/-	1100/-	
2.	Potassium Per Sulphate	1	5693/-	5693/-	
<p><i>check and process</i></p> <p>Bill Verified & accepted for Nu. <u>10093/-</u></p> <p>Ch to <u>M. C. Selogeze, S. J. J.</u></p> <p>Fiscal Year <u>2018 - 2019</u></p> <p>Taken to <u>TCC/411</u> register page <u>253.2.187</u></p> <p>Entered in MB No TCC <u>.....</u> P.No. <u>.....</u></p> <p>TPN No. KAB38927 A/c No. 101220881 (BOB)</p> <p><u>P.T.O</u></p>				9602.77	
TOTAL Nu.				10093	

Ngultrums Ten thousand Ninety
three only.

E.O.E.
Soram
For Kuenga Trading

Materials received on 11/11/18
Revalley deducted for 32 days
Came to Nu- 490.23 and the
payable amount came to
Nu-9602.77 only

11/11/18

Stone to be
Thinned

249

11/11/18

10093

For No.

Taken in To Stock Lot

Page No.

41,42

Charge to

IT/Proc.

Accepted

11/11/18

10093

Accepted

11/11/18

10093

Accepted

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11/11/18

10093

Accepted

11/11/18

10093

Accepted

11/11/18

10093

Accepted

Operation & Maintenance
Sewage System

