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ཐིམ་ཕུག་- ༡༡༠༠༡ འབྲུག་།



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Thimphu-11001: Bhutan



TT/IAU-04/2018-2019 -

633

28/02/2019

Executive Secretary,
Thimphu Thromde

Subject: Internal Audit Report on “Trend Analysis of Cost of Government Vehicles”

Sir,

Kindly find enclosed herewith Internal Audit Report on the “Trend analysis of the cost of Government Vehicles for the period covering July 2015 to June 2018 for your kind necessary actions. Recommendations as deem appropriate are given for remedial measures on findings. The report is made available in the official e-mails of the concerned officials. Please acknowledge of recipient of the mail.

Yours faithfully

(Phub Dema)
Asst. Internal Auditor

CC:

1. Dasho Thrompon, Thimphu Thromde
2. Chief Internal Auditor, CCA, MoF
3. Chief Administration Officer, Thimphu Thromde
4. MTO, Thimphu Thromde

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Office copy, IAU

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

Abbreviation used in report

FY Financial Year

POL Petrol Oil Lubricant
 PPCM Planning and Policy Coordination Meeting
 MoF Ministry of finance
 CCA Central Coordinating Agency
 MTO Motor Transport Officer
 IAU Internal Audit Unit

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1. About the Audit

The audit on the Trend analysis of the cost of Government vehicle maintenance 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.

As a sample, last three consecutive years i.e., from July 2015 to June 2018 records of the vehicles maintenance are chosen and the details of the sample vehicles are shown in Table 1. The scope of the Audit is to evaluate the internal control, compliance, frequency of vehicle maintenance and financial implications. The total cost of the vehicle maintenance of Thimphu Thromde in FY 2015-2016 was Nu.9110000; FY 2016-2017 was Nu.8333000 and FY 2017-2018 was Nu. 9940000 as per the Financial report. Few lapses were noted during audit like no work order, double payment, frequent vehicle maintenance, and in POL consumption which are summarize based on risk prioritized in following report.

Table 1

SL. No	Vehicle Inventory	Divisions	Vehicle Registration no	Model Year	No. of years
1	Toyota Fortuner	Administration	BG-1-A2233	2012	6
2	Santafee		BG-1-A1632	2008	10
3	Bolero		BG-1-A1372	2006	12
4	Electric Car		BG-1-A1982	2011	7
5	Library Bus		BG-1-A0730	2012	6
6	Hilux	Environment Division	BG-1-0167	1999	19
7	Tata Super Ace		BG-1-A1920	2010	8
8	Eicher 10.55		BG-1-A0724	2013	5
9	Eicher		BG-1-0399	2003	15
10	Eicher Terra 16		BG-1-A0723	2013	5
11	Isuzu Compactor		BG-1-A0734	2004	14
12	Nissan Compactor		BG-1-A0737	2002	16
14	Nissan Compactor		BG-1-0382	1994	24
15	Mitsubishi Compactor		BG-1-0384	1994	24
16	Dumper Placer		BG-1-A0664	2011	7
17	Bull Dozer		BG-1-A0581	2007	11
18	Tracked Excavator		BG-1-A0008	2016	2

19	Tracked Excavator		BG-1-A0714	2013	5
20	Skid Steer Loader		BG-1-A0658	2010	8
21	Back Hoe Loader		BG-1-0350	2001	17
22	Road Sweeping Machine		BG-1-A0004	2016	2
23	Road Sweeping Machine		BG-1-A0006	2017	1
24	Water Tanker		BG-1-0322	2000	18
25	Tractor		BG-1-A0692	2012	6
26	Tractor		BG-1-A0013	2016	2
27	Tractor		BG-1-A0014	2016	2
28	Mitsubishi Hilux	ADB Project	BG-1-A1882	2010	8
29	Vigo Hilux	World Bank Project	BG-1-A2132	2012	6
30	WagonR	Building Section	BG-1-A1972	2011	7
31	Vigo Hilux	Planning Division	BG-1-A1719	2008	10
32	Bolero	Survey Section	BG-1-1210	2003	15
33	Hilux	Education Section	BG-1-1073	2002	16
34	Vigo Hilux		BG-1-A1683	2008	10
35	Single Cabin Bolero		BG-1-A1416	2007	11
36	Tata Tipper		BG-1-A0682	2011	7
37	Tata Tipper		BG-1-A0683	2011	7
38	Back Hoe Loader		BG-1-A0725	2013	5
39	Tracked Excavator		BG-1-A0009	2016	2
40	Tracked Excavator		BG-1-0407	2003	15
41	Volvo Wheeled Excavator		BG-1-A0010	2016	2
42	Tractor	Engineering Division	BG-1-A0691	2012	6
43	Bolero		BG-1-1211	2003	15
44	Cesspool		BG-1-A0561	2007	11
45	Cesspool		BG-1-A0636	2010	8
46	Cesspool		BG-1-A0690	2012	6
47	Cesspool	Sewerage Section	BG-1-A0752	2014	4
48	Bolero		BG-1-A1371	2006	12
49	Sky Jacker		BG-1-A0597	2008	10
50	Sky Jacker	Electrical Section	BG-1-0337	2001	17
51	Mitsubishi Hilux		BG-1-A1881	2010	8
52	Tata Truck	Water Supply Section	BG-1-A0628	2009	9

1.2 Audit Objectives

The main objectives of the audit are to:

- Tests check the trend of the cost for the government vehicles in the agency.
- Evaluate adequacy of internal controls, deficiency and also recommend appropriate internal controls;
- Assess safeguard of government assets.
- Test check the acquired properties are used for rightful purpose.
- Assess proper budget utilization like use and misuse;
- Checking the compliance to rules and regulations as per Property Management Manual 2016.
- Evaluate the system/control place in the agency is benefiting or not.

1.3 Audit Scope

The review period is from 1st July 2015 to 30th June 2018 and the scope includes:

- Frequency of vehicle maintenance
- Cost of vehicle maintenance in a year
- Life span of vehicle and related financial implications
- Compliance to internal controls

1.4 Audit Methodology

The review was conducted in pursuant to the Internal Audit Charter and the Internal Audit Standards of the Royal Government of Bhutan. The review entailed the following approaches:

- Engagement letter sent to the heads.
- Examination of vehicle history Book, log book and the Disbursement vouchers.
- Examination of the procedures involved in the maintenance of vehicle.
- Consultation and discussion with Motor Transport Officer (MTO) and accounts personnel.

2. Limitation

The vehicles given on hire by the Thimphu Thromde are not included in the report. The facts and figures produced in this reports are based on the documents made available to IAU during the audit period.

3. Findings and observations

In accordance with the letter no TT/IAU-05/2018-2019/42 dated 07/01/2019; IAU have carried out the auditing on the trend analysis of the cost of Government vehicles maintenance of Thimphu Thromde for the fiscal year July 2015 to June 2018 and the following observations were noted.

3.1 General observation

During the review, it was observed that the cost of the vehicle maintenance of Thimphu Thromde decreased in the FY2016-2017, Nu.8333000 compared to FY2015-2016, Nu. 9110000 and then increased in the FY2017-2018, Nu.9940000. These figures are inclusive of expenses incurred for the POL. Therefore for the last three consecutive years, Thimphu Thromde has incurred total cost of Nu. 27383000. The Thromde have initiated tender for the service providers for the vehicles maintenance and acquire the services from the services provider approved by the tender committee only thus it has reduced the unnecessary bills passed for the payment (Cost) and also reduced the scope of fraudulent activities.

3.2 Specific Observation

3.2.1 No work order for the petty expenses instead the use of term “on monthly payment basis”

During the review, it was observed in the Vehicles History Book of every vehicles the use of the term “on monthly payment basis” instead of the order no. This gives red flag signal where the manipulation or fraudulent activities can happen. On inquiry with MTO, it was learnt that the payment was made for the petty expenses of the vehicles like recoiling of tyres, repairing of

puncture tyre, etc. On monthly the payments are made to suppliers or the service provider thus for the petty expenses no work orders are formulated.

Recommendation

Though work order carries immense importance in ensuring the economy, safeguarding government fund and internal control mechanism, MTO initiated the monthly payment basis in the order not to reduce the workload and resources. Since the payments are made on monthly basis this provides provision for the service providers to take advantage of the term and the manipulation of bills and collusions between the drivers and services providers can happen therefore, the concern official on recipient of the bill have to physically verify whether the actual service have been acquired and have to be vigilant in future in such cases.

3.2.2 Double payment

During the review it was observed that there were two cases where double payment made for the purchase of same items and services amounting Nu.15908 and Nu.9950 of vehicle no BG-1-A0010, and BG-1-A0009 (detail in annexure 1).

Recommendation

The management is recommended to refund the double amount paid as per the Financial Rules and Regulations 2009.

Management responses:

3.2.3 Frequent vehicle maintenance

Huge budget allocations were made into budget code: 15.02 Maintenance of Property- Vehicle each fiscal year and it is the responsibility of the agency that budget are properly utilized for the rightful purpose and help to minimize the cost for the government. During the review, IAU observed few cases where the frequent vehicle maintenance are done within a time gap ranging from five days to eleven months which IAU is of the opinion that the purchase was not deemed necessary given the short span of time thus it is increasing the cost. The detail of review is

mentioned in the **table no. (3)**

Table 3

SI No	Vehicle No	Date	Types of Maintenance	Division	Time Gap	Remarks
1	BG-1-A0009	8/9/2017	oil filter 02/910140A, Fuel Filter 02/91015 A	Engineering Division	2 Months	Used same work order no and also purchased same item but two different bills were produced and also payment was made.
		14/11/2017				
		31/12/2017	bucket tooth 333/P7952, washers 980/84768 and pin lock 980/84767		5 days	
5/1/2018						
2	BG-1-A0013	16/6/17	Sticker number plate and Thimphu Thromde sticker	Environment Division	11 months	
		26/5/18				
3	BG-1-A0010	12/6/2017	engine oil, oil filter, fuel filter and water separation	Engineering Division	19 days	Within 19 days is these services really needed?
		31/6/17				
4	BG-1-A0004	3/5/2017	Seat cover along with material and grass footmate	Environment Division	5 months	Is there a need?
		8/10/2017				
5	BG-1-A1881	20/10/17	Purchase of new Tyre	Water Supply Section	4 months	On 20/10/17 purchased 2 tyre and later on 19/2/18, purchased 4 tyres. .. Validity of Tyre??
		19/2/18				

Recommendation

The management is requested to look into above observation and be vigilant in future case of frequent vehicle maintenance because henceforth from financial year 2018-2019 all the recurrent expenditure is going to bone by the agency.

3.2.4 Idle Vehicle in the agency

During the review, it was found out that there are some vehicles left idle in the agency which the purpose of the purchase of property is defeated and is of unnecessary cost to the government. The vehicles are one of the kinds of properties which depreciate its value over the period even if they are kept idle. For instance vehicle number BG-1-A0658 left idle and BG-1-0370 is off road since 2012.

Recommendation

It is recommended to the management, those vehicles off road needs to auctioned as per PMM 2016 and those kept unutilized either because of break down or lack of personnel to operate , management need to come up with some measures like either repair, give on hire or recruit some manpower to operate.

3.2.5 High cost of maintenance

As per the 'Property Management Manual' 2016, the estimated useful life of heavy, medium and light vehicles are six years. While analyzing, IAU observed that the useful life of most of the vehicles operating in Thromde were more than six years and those vehicles beyond the estimated useful life had high cost and frequent maintenance. Table no 4 shows the total cost incurred by each vehicle for last three consecutive years and overall cost in year. The table no 5 highlights the comparison made among the same type of vehicle with the same model year.

Table 4:

Sl.No	Vehicle No	Division	Total Cost			Model no	Sum Total
			15-16	16-17	17-18		
1	BG-1-A0009	Engineering Division		10900	63675	2016	74575
2	BG-1-A0013	Environment Division		3280	6320	2016	9600
3	BG-1-A0692	Environment Division		27155	8580	2012	35735
4	BG-1-0167	Environment Division	80250	47850	86585	1999	214685
5	BG-1-A1372	Administration	8230	38400	26615	2006	73245
6	BG-1-A0006	Environment Division			13685	2017	13685
7	BG-1-A1982	Administration	2500	750	8070	2011	11320
8	BG-1-A0008	Environment Division		16250	18535	2016	34785
9	BG-1-0322	Environment Division	42400	47305	7880	2000	97585
10	BG-1-A0734	Environment Division	91155	90390	53610	2004	235155
11	BG-1-1073	Education Section	28369	44695	122700	2002	195764
12	BG-1-A0010	Engineering Division		45851	130819.2	2016	176670.2
13	BG-1-0407	Engineering Division	168903	310468.32	585605	2003	1064976.3
14	BG-1-A0636	Sewerage Section	31530	72240	25650	2010	129420
15	BG-1-1211	Sewerage Section	82840	21310	43170	2003	147320

16	BG-1-A1683	Engineering Division	43085	15560	62575	2008	121220
17	BG-1-A0725	Engineering Division	138887.7	140718	102180	2013	381785.7
18	BG-1-A0690	Sewerage Section	33895	39959	18665	2012	92519
19	BG-1-A0561	Sewerage Section	51516	35195	65090	2007	151801
20	BG-1-A1920	Environment Division	46025	45110	2650	2010	93785
21	BG-1-A1371	Electrical Section	43975	42605	47190	2006	133770
22	BG-1-A0664	Environment Division		23175	32585	2011	55760
23	BG-1-A0737	Environment Division	21400	89990	99220	2002	210610
24	BG-1-1210	Survey Section	19112	23864	41380	2003	84356
25	BG-1-A0723	Environment Division	48665	68720	93120	2013	210505
26	BG-1-A2132	World Bank Project	28810	47825	12200	2012	88835
27	BG-1-A0014	Environment Division		10100	3840	2016	13940
28	BG-1-A1719	Planning Division	33005	25820	35160	2008	93985
30	BG-1-A0752	Sewerage Section	10069	7760	32950	2014	50779
31	BG-1-A0730	Administration	25295	6515	17375	2012	49185
32	BG-1-0382	Environment Division	47255	10740	7450	1994	65445
33	BG-1-0384	Environment Division	20240		19440	1994	39680
34	BG-1-A0658	Environment Division	144035	idle		2010	144035
35	BG-1-A0004	Environment Division		17985	10600	2016	28585
36	BG-1-A0714	Environment Division	46650	100575	28655	2013	175880
37	BG-1-A1972	Building Section	32900	14928	35210	2011	83038
38	BG-1-A1881	Water Supply Section	26320	97640	94170	2010	218130
39	BG-1-A0628	Water Supply Section	44127	97852	59515	2009	201494
40	BG-1-A0691	Engineering Division	12260	57910	38700	2012	108870
41	BG-1-A0597	Electrical Section	65180	29755	101885	2008	196820
42	BG-1-A0683	Engineering Division	67477.9	141270	92780	2011	301527.9
43	BG-1-0337	Electrical Section	34715	180460	65855	2001	281030
44	BG-1-A0724	Environment Division	13497	21430	9960	2013	44887
45	BG-1-A2233	Administration	13830	102960	11590	2012	128380
46	BG-1-A1882	ADB Project	19905	24054	33165	2010	77124
47	BG-1-0399	Environment Division	55821	68559	40385	2003	164765
48	BG-1-A0581	Environment Division	2950	165663	81095	2007	249708
49	BG-1-A1632	Administration	45403	188030	224685	2008	458118
50	BG-1-A0682	Engineering Division	100225	112575	127135	2011	339935
		Total	1872707.6	2832146.3	2949954		

Table 5: Comparative cost study of same vehicle type and model year.

Vehicle type	Division/Section	Model year	cost of maintenance			total cost	Vehicle life	Remarks
			15-16	16-17	17-18			
Tractor (BG-1-A0013)	Environment	2016		3280	6320	9600	2	
Tractor (BG-1-A0014)			10100	3840	13940			
Tata Tippe (BG-1-A0682)	Engineering	2011	100225	112575	127135	339935	7	
Tata Tippe (BG-1-A0683)			67478	141270	92780	301528		
Bolero (BG-1-A1372)	Administation	2006	8230	38400	26615	73245	12	
Bolero (BG-1-A1371)	Electrical Section		43975	42605	47190	133770		High cost of maintenance
Mitsubishi Hilux (BG-1-A1882)	ADB Project	2010	19905	24054	33165	77124	8	
Mitsubishi Hilux (BG-1-A1881)	Water supply section		26320	97640	94170	218130		High cost of maintenance

Management action:

Aforementioned concerns were forwarded to 15th Thromde Tshogde for discussions.

4. Summary

Summary of the overall findings based on the rating scale provided in the Glossary.

Sl.No.	Findings	Priority / Impact level
1	Nil	Critical
2	3.2.6	High
3	3.2.1,3.2.2,3.2.3,3.2.4, and 3.2.5	Medium

5. Conclusion

The IAU, conducted the trend analysis of vehicle maintenance for total 52 numbers of vehicles of Thimphu Thromde for the last three consecutive year i.e. July 2015 to June 2018 and observed increase in cost of maintenance due to increase in salvage value pertaining to the usage of vehicles exceeding its actual life span as mentioned in PMM 2016 and Except for the observation mentioned above no significant irregularities are found.

6.2 Vehicle no BG-1-A0010

HISTORY SHEET For the Month							OF VEHICLE OF					
Date of vehicle and to workshop	Date of Delivery After Repair	Detail of spare charged	Qty.	Rate	Amount	Detail of work carried out	Rate	Amount	Order No.	Bill reference	Remarks	
2	3	4	5	6	7	8	9	10	11	12	13	
		Agency Name: Heavy Equipment & Services Pvt. Ltd. Order no = 106/TT/Veh/16-17/3039 dt. 12/6/17 Bill no = 3100 dt. 12/6/17 Entry date = 12/6/17				① Engine oil ② oil filter ③ fuel filter ④ Water Separator ⑤ clox	25 ltr @ Nu. 266.68 = 6667/- 1 no @ Nu. 2700 = 2700/- 1 no @ Nu. 2563 = 2563/- 1 no @ Nu. 3968 = 3968/- 1 no @ Nu. 10 = 10/-					Total Nu. 15908/- 26/6/17 Nineteen Thousand Nine Hundred & Eighty only. Chargeable to Engineering Division

HISTORY SHEET For the Month							OF VEHICLE OF					
Sl. No.	Date of Vehicle send to workshop	Date of Delivery After Repair	Detail of spare charged	Qty.	Rate	Amount	Detail of work carried out	Rate	Amount	Order No.	Bill reference	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13
			Agency Name: Heavy Equipment & Services Order no = 106/TT/Veh/16-17/3043 dt. 12/6/17 Bill no = 3154 dt. 31/6/17 Entry date = 15/6/17				① Engine oil ② oil filter ③ fuel filter ④ Water Separator ⑤ Jerry can (10 ltr) ⑥ Jerry can (5 ltr) ⑦ Rags ⑧ Hydraulic oil	25 ltr @ Nu. 266.68 = 6667/- 1 no @ Nu. 2700 = 2700/- 1 no @ Nu. 2563 = 2563/- 1 no @ Nu. 3968 = 3968/- 3 no @ Nu. 190 = 570/- 1 no @ Nu. 95 = 95/- 2 nos @ Nu. 70 = 140/- 10 ltr @ Nu. 295 = 2950/-				Total Nu. 19683/- 26/6/17 Nineteen Thousand Six Hundred & Eighty Three only. Chargeable to Engineering.

In this case, two different order no were issued on same date by order no=106/TT/Veh/16-17/3039 dt.12/6/12 and order no=106/TT/Veh/16-17/3043 dt.12/6/17 for the purchase of same items or services. Bill no 3100 dt.12/6/17 and bill no 3154 dt.31/6/17 were produced for the payment and the records shows the payment was made and verified on 26/6/17.