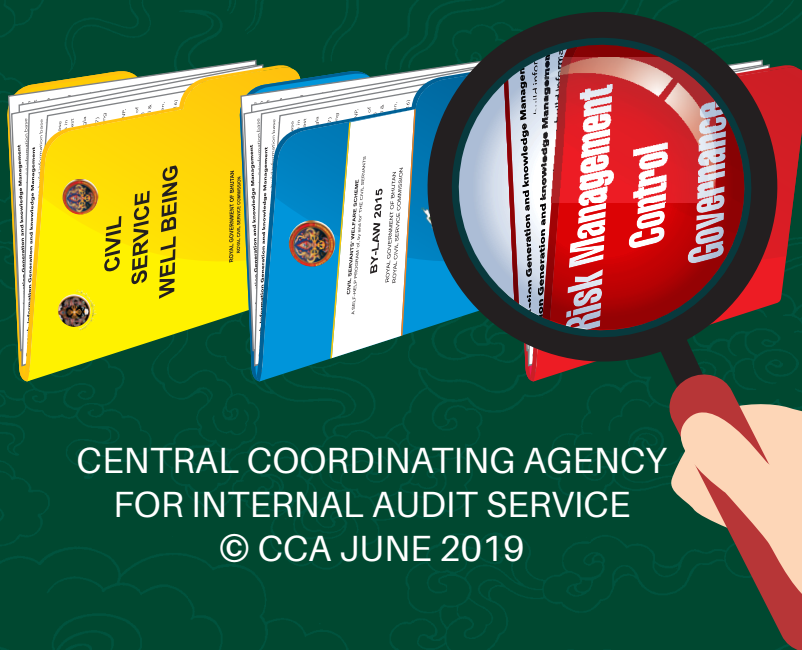




INTERNAL AUDIT REPORT ON REVIEW OF CIVIL SERVANT'S WELFARE SCHEME

compliance
Internal risk **Audit** objective
independent add value effective improve
efficient assurance



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FOR INTERNAL AUDIT SERVICE
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Internal Audit Report on Review of Civil Servant's Welfare Scheme

Central Coordinating Agency
For Internal Audit Service
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Perspectives of the Chief Internal Auditor, CCA

The Central Coordinating Agency is pleased to release the Internal Audit Report on Civil Servant's Welfare Scheme conducted during the financial year 2017-18. This report is published to disseminate the results of thematic audit conducted by internal audit units in 10 Ministries, 10 Dzongkhags and 2 autonomous agencies.

The report is presented with a summary of observation from 22 engagements conducted by internal audit units which are further detailed under each agency to reach out to the process owners and seek necessary interventions wherever required.

While the report provides the readers with a general idea of errors uncovered and remedial measures recommended by internal auditors, it is also important for Internal Audit Service to adhere to the principle of 'confidentiality'. Hence, individual identities of the personnel involved in anomalies are omitted in this version. However, such specific details if required by relevant stakeholders may be obtained with due permission of the concerned management. The CCA hopes that the users find this report informative in addressing ubiquitous variances while administering the Civil Servant's Welfare Scheme.

The Internal Audit Service of Royal Government of Bhutan is an essential component of Internal Control that has the huge mandate of providing professional services to the government agencies in furthering our endeavor of good governance which is one of the pillars of Gross National Happiness. During the financial year 2017-18, the Internal Audit Units executed 113 engagements besides the 33 thematic audits on Civil Servant's Welfare Scheme. Results of such audit engagements have been presented to the concerned agencies of Internal Audit Units to seek necessary intervention in devising an effective and efficient internal control mechanism wherever necessary. Though internal auditors play their part, it is equally important for the concerned management to respond to the internal auditors' findings and implement remedial measures suggested if operational efficiencies are to be achieved as envisioned.

In the last few years, the internal audit service has made tremendous efforts in remaining relevant to the management by providing preventive measures for network of risk, control and governance issues. However, complex and demanding environments culminated by technological, social, and other dynamics challenge us to meet the increasing expectations of stakeholders. Auditing programs and transactions after they occur is integral to our work and allows internal auditors



to determine how effective or poor business dynamics are. But a risk-centric approach begs anticipation of negative outcomes and the sounding of an alarm when conditions suggest that trends, patterns, decisions, and structures are likely to result in value loss to stakeholders. This does not mean we co-manage so that we remain independent and objective.

Every experienced internal auditor knows there are “findings” in name only because the clients were aware of the problem before the review was performed, but they can’t identify the source. In all cases, what clients need the most is information about why the issues happened. Recommendations will yield inadequate results if they address only symptoms while bypassing the root cause.

For an internal auditor to trace the root cause, competency and skills to do the job is crucial. The skills set required are acquired through regular competency development program which in our case is a challenge due to financial constraints. Embracing technology is one of the solutions to such a situation. In the near future, the internal audit service is looking forward to introducing an Audit Management Software. This would entail increase use of data mining and analytics to understand the intricacies of the programs and processes we review, and to tell our clients things they don’t know. Additionally, given the increasing scope of our work, technology can help us provide better coverage at a lower cost.

Lastly, I would like to offer my humble appreciation and gratitude to the internal audit fraternity for striving hard towards enhancing organizational value, and the relevant stakeholders for accepting our service as eyes and ears of the management in strengthening the good governance system in the country.

Pema Wangchen
Chief Internal Auditor

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ACRONYMS

AFD:	Administration and Finance Division
BHU:	Basic health Unit
CCA:	Central Coordinating Agency for Internal Audit Service
CID:	Citizenship Identity Card
CSWS:	Civil Servants’ Welfare Scheme
CSIS:	Civil Service Information System
DNB:	Department of National Budget
ECB:	Election Commission of Bhutan
EFT:	Electronic Fund Transfer
EID:	Employee Identity
EOL:	Extra Ordinary Leave
HR:	Human Resource(s)
HRD:	Human Resource Division
HRM:	Human Resource Management
IAS:	Internal Audit Service
IAF:	Internal Audit Function
IAU(s):	Internal Audit Unit(s)
LPCs:	Last Pay Certificate(s)
MoAF:	Ministry of Agriculture and Forest
MoEA:	Ministry of Economic Affairs
MoE:	Ministry of Education
MoF:	Ministry of Finance
PEMS:	Public Expenditure Management System
P&M:	Professional and Management
SS:	Supervisory and Support
RCSC:	Royal Civil Service Commission
RGoB:	Royal Government of Bhutan
RICBL:	Royal Insurance Corporation of Bhutan Limited
RRCO:	Regional Revenue and Customs Office
RTIO:	Regional Trade and Industry Office



EXECUTIVE SUMMARY

The Central Coordinating Agency (CCA) for Internal Audit Service upon receipt of a request from the Royal Civil Service Commission to review the Civil Servants' Welfare Scheme initiated this thematic audit during the financial year 2017-18. The review was carried out by Internal Audit Units (IAUs) in various Ministries, Dzongkhags and Autonomous Agencies, and the findings of the audit were communicated to the concerned management with a copy endorsed to CCA. The information disseminated through this report is consolidated version of summarized observations in each agency audited and recommendations thereof to further enhance the exiting internal control system in administrating the CSWS.

The main objectives of the audit were to review the adequacy and existence of internal control systems in administering the Civil Servants' Welfare Scheme and determine whether memberships, contributions and claims of scheme are operated in accordance with the provisions of the CSWS By-Law 2015. The period of review was from 11 November 2015 till 30 June 2017 and considered five arrears of CSWS operation such as agency level deduction, information dissemination between the RICBL, RCSC and agencies, contribution from non-members, cash contributions, and payout claim process.

The Civil Servant Welfare Scheme (CSWS) is one of the three programs initiated by Royal Civil Service Commission (RCSC) in November 2015 to improve the well being of all civil servants. The scheme in particular aims to provide security to every civil servant and their immediate members both financially and emotionally in times of death of members/member's dependent to the bereaved family.

Although no significant systematic lapses were unveiled during the review of the scheme, procedural lapses were ubiquitous. Variances uncovered pertained to inadequate details of CSWS members opted in and out of the scheme, inconsistent monthly contribution deductions, and improper or non updated record of CSWS members. Lack of information sharing between the offices of Human Resource and Finance was noted to be the root cause for excess as well as non-deduction of monthly contribution at source. The HR office failed to validate the confirmed list of the registered members and update with the Finance office which would have avoided deductions of contribution from non-members as well as non-deduction of contributions from member civil servants. Cases of improper status update in CSIS and non transfer of CSWS



documents along with personal file were rampant especially during long term absence of members and their transfer from one agency to the other. Non compliance to claim process as provisioned in the CSWS by-law was observed in one agency.

As a corrective measure to normalize the variances pointed out, most internal auditors recommended coordination and collaboration between relevant offices in sharing updated information at the right time. In order to validate the accuracy of information provided by members, authorized officials charged with governance and process owners were recommended to verify forms and documents submitted by members before they were registered to the scheme. The RCSC is strongly recommended to appoint a nodal agency for reconciling the fund position between the financial institution and commission cascading to each member contribution. Furthermore, internal auditors also recommended the RCSC to issue a clear directive on the monthly contribution amounts from members in SS category who receive same remuneration of P&M category. The existing system is found to be lopsided. Relevant offices of member's working agency were also reminded on the need to endorse the copy of remittance schedule to the RCSC on monthly basis. For ease of dispute settlement and auditing purposes, HR officials were advised to file CSWS documents in the civil servants' personal file and sent all such documents to the relieved agency when civil servants are transferred.

Overall, there are no major lapses being uncovered. Some aberrances highlighted above, in the opinion of the Audit teams, happened largely due to initial hiccups in rolling out the new scheme and deficiency in dissemination of information to all stakeholders located far and wide. The internal audit function therefore strongly recommends the dealing officials to follow the control mechanisms and other requirements prescribed in the CSWS By-Laws 2015 to enhance the operational efficiency of CSWS administration.

1 INTRODUCTION

The Civil Servants’ Welfare Scheme (CSWS) is one of the three programs under the well-being services initiated by the Royal Civil Service Commission (RSCS) for improving the welfare of the civil servants. The SCWS aims to provide security to every civil servant and their immediate family members both financially and emotionally in times of death of member or member’s dependants to the bereaved family. The scheme will not only improve the welfare of the civil servant, but also inculcate a sense of fraternity among civil the civil service. The scheme had never been audited since its launch on 11 November 2015. Therefore, reviewing the scheme and its process are timely to ensure prudent management of the scheme.

1.1 OBJECTIVE OF AUDIT

The objectives of this audit are to:

- i. Review whether the memberships, contributions and claims of Civil Servants’ Welfare Scheme are as per the CSWS By-Law 2015.
- ii. To review the adequacy of existing internal control process /systems in place for administering the CSWS.
- iii. To review the CSWS reconciliations between the Accounts Section and RICBL.
- iv. Identify opportunities for improvement as appropriate

1.2 SCOPE OF AUDIT

Internal Audit Units in Ministries, Dzongkhags and Autonomous Agencies reviewed the Civil Servants’ Welfare Scheme for the period 11 November 2015 to 30 June 2017 on the following parameter.

- Agency level deduction;
- CSWS schedule being sent to RICBL and RCSC
- CSWS Deduction of Non-CSWS member;
- CSWS contribution made in cash (contribution should only be made by cheques & EFT)
- Payout claim process

The review thus dwelt on the compliance and objectives of CSWS BY-Law as enshrined therewith. Therefore, the audit report and observations, in relation to the audit are purely based on the CSWS By-Law. Further any other laws in the Kingdom relevant for the conduct of the CSWS audit have also been given due consideration.



2 ANALYSIS OF FINDINGS

The most ubiquitous and significant compliance issues observed by Internal Audit units are summarized in the following paragraphs.

2.1 NON-VERIFICATION OF CSWS REGISTRATION FORMS BY COMPETENT AUTHORITY

In almost all engagements conducted by the Internal Audit Units, anomalies in verification of CSWS forms by a competent authority as provisioned in the CSWS By-Law were observed. These lapses occurred mainly due to improper sensitization on the scheme at the initial stage of introducing the initiative. Furthermore, ignorance and lack of knowledge on the requirements of CSWS by-law also culminated the instances of the lapses. Non compliance to the requirement of verifying the CSWS forms by competent authority has lead to multiple anomalies such as non-submission of proper supporting documents, improper declaration of dependents and primary nominee by members and update of such data in CSIS. If the lapses are not attended by the process owners in due time, bereaved members will face difficulty in claiming the benefits of the scheme when needed. Further, this will also aggravate the difficulty faced by the Commission in timely update of individual members' contribution in CSIS and reconciliation of fund position.

2.2 CSWS FORMS AND ALLIED DOCUMENTS NOT TRANSFERRED

All Internal Audit Units reported cases of CSWS forms not filed in personal file of the civil servants. The membership registration or opt-out forms along with the supporting documents serve as a basis during claim procedure as well as for auditing proposes. In addition, it also serves as basis of information if at all CSIS data is not accurate or in the event of system breakdown. However, in most cases, it was customary to maintain a separate file for CSWS documents rather than filing the records in service book. This practice has lead to erroneous deduction of member contribution especially when they were transferred from one agency to the other.

2.3 POOR COORDINATION AND DISSEMINATION OF INFORMATION AMONGST RELEVANT OFFICES

Many cases of non-deduction of member's contribution at the source were noted in all the audit engagements performed. Conversely, contribution from non-members of the scheme such as contract employees, civil servants who opted

out of the scheme, and non civil servants were deducted and remitted to RICBL in many agencies audited. The lapses reported came into existence due to lack of timely exchange of information by HR offices to the Finance Division/Section.

Although CSIS has a feature to check a member’s own contribution, the amount contributed by the member was not updated regularly in the system as agencies did not sent the schedules of monthly contribution to the RCSC for such an update. This apparently occurred due to some hiccups at the initial stage of initiating the scheme. Some management’s responses indicated that there were no clear guidelines and instructions from the RCSC to the accounts personnel on the procedural requirements. Furthermore, there is no nodal agency who should reconcile the CSWS contribution between agencies, RICBL and RCSC. Hence it is concluded that there is a lack of coordinated approach on dissemination of information amongst the relevant organization to achieve operational efficiency in the existing system of CSWS administration.

2.4 NO CLARITY ON CONTRIBUTION FROM MEMBERS IN SS POSITION LEVEL.

The CSWS by-Law requires members in Supervisory and Support position category to contribute Nu.100 per month to the scheme. However, those members in SS4 to SS1 get equal pay and allowances as those in P5 to P3 who contribute Nu.200 per month. Therefore, the general perception is that those members in SS4 to SS1 should also be contributing an amount equal to those in P5 to P3. This apparently happened due introduction of the SS position level after the CSWS was rolled out. However, there was no further circular/notification issued by the commission to clarify the difference.

3 DETAILED AUDIT FINDINGS

The internal audit observations surfaced in 22 engagements conducted by internal audits across 10 ministries, 10 Dzongkhags and 2 autonomous agencies are categorized broadly into Ministries, Dzongkhags and Autonomous agencies.

3.1 MINISTRIES:

3.1.1 Ministry of Agriculture And Forest

3.1.1.1 Secretariat/ Directorate:

The findings observed by the Internal Audit Unit which required active management attention are as summarized below:

- i. Except for the signature of the member along with the legal stamp, the CSWS Registration Form 3.1 of most employees which needs to be verified by the



HR Officer and approved by the Head of Agency was not duly completed as required.

- ii. The CSWS Nomination/Update Form 3.3 of most employees which needs to be verified by the HR Officer and approved by the Head of Agency was found incomplete.
- iii. On several instances, the documents required for the member and dependants were missing. For example, the copies of Citizenship Identity Card of member and dependant, Marriage Certificate of member and Birth Certificate of the minor dependant were missing.
- iv. With the help of the HR Assistant, the internal audit test checked the CSWS system and uncovered that although the employee is a member of the CSWS, most of the members' dependants were not updated in the system.
- v. The CSWS Registration Form 3.1 of some officials under Directorate Services was missing.
- vi. The whole set of CSWS documents; CSWS Registration Form 3.1, CSWS. Nomination/Update Form 3.3 and other relevant documents are still with the divisions or ministry although the employees were transferred to other divisions or ministries.

Recommendations:

1. *The internal audit recommended the HRD, Directorate Services to comply with the requirements of the CSWS Forms in the CSWS By-Laws 2015.*
2. *The missing documents of the dependants needs to be collected from the individual employees and verify the genuineness of the dependants as per CSWS By-Laws 2015. After verification, the missing documents must be attached with the CSWS Forms for future reference.*
3. *After confirming the true dependant, the HRD must update list of dependants in the CSWS system.*
4. *The missing CSWS Form 3.1 of the employees must be traced and documented properly.*
5. *The whole set of CSWS documents must be sent to the agency where the employees are transferred, and the HRD must comply the same for the future transfers.*

3.1.1.2 Department of Agricultural Marketing and Cooperatives (DAMC)

The following are the findings generated during the course of review by the internal audit team.

- i. Except for the signature of the member along with the legal stamp, the CSWS Registration Form 3.1 of most employees which needs to be verified by the HR Officer and approved by the Head of Agency was not duly completed as

- required.
- ii. The CSWS Nomination/Update Form 3.3 of most employees which needs to be verified by the HR Officer and approved by the Head of Agency was found incomplete.
 - iii. On several instances, the documents required for the member and dependants were missing. For example, the copies of Citizenship Identity Card of member and dependant, Marriage Certificate of member and Birth Certificate of the minor dependant.
 - iv. With the help of the HR Assistant, the internal audit test checked the CSWS system and uncovered that although the employee is a member of the CSWS, most of the members’ dependants were not updated in the system.

Recommendations:

1. *The internal audit recommended the HRD, Directorate Services to comply with the requirements of the CSWS Forms in the CSWS By-Laws 2015.*
2. *The missing documents of the dependants needs to be collected from the individual employees and verify the genuineness of the dependants as per CSWS By-Laws 2015. After verification, the required documents must be attached with the CSWS Forms future reference.*
3. *After confirming the true dependant, the HRD must update list of dependants in the CSWS system.*

3.1.1.3 Department of Livestock (DOL)

The internal audit findings of the Department of Livestock are as summarized below:

- i. Except for the signature of the member along with the legal stamp, the CSWS Registration Form 3.1 of most employees which needs to be verified by the HR Officer and approved by the Head of Agency is not duly completed as required.
- ii. The CSWS Nomination/Update Form 3.3 of most employees which needs to be verified by the HR Officer and approved by the Head of Agency was found incomplete.
- iii. On several instances, the documents required for the member and dependants were missing. For example, the copies of Citizenship Identity Card of member and dependant, Marriage Certificate of member and Birth Certificate of the minor dependant.
- iv. The CSWS Forms and all related documents of the employees of Head-Quarter, DoL are missing, although they are CSWS members. Upon interview with the human resource personnel, it was known that the employees have



not submitted the CSWS Forms and the related documents as of now.

- v. The CSWS Forms and all related documents of some of the employees were missing.
- vi. With the help of the HR Assistant, the internal audit test checked the CSWS information system and uncovered that although the employee is a member of the CSWS, some members' dependants were not updated in the system.

Recommendations:

1. *The internal audit recommended the HRD, Directorate Services to comply with the requirements of the CSWS Forms in the CSWS By-Laws 2015.*
2. *The missing documents of the dependants needs to be collected from the individual employees and verify the genuineness of the dependants as per CSWS By-Laws 2015. After verification, the missing documents must be attached with the CSWS Forms for the future reference.*
3. *After confirming the true dependant, the HRD must update list of dependants in the CSWS information system.*
4. *The missing CSWS Form 3.1 of the employees must be traced and documented properly.*
5. *The whole set of CSWS documents must be sent to the agency where the employees are transferred, and the HRD must comply the same for the future transfers.*
6. *The HRD must immediately ask DoL to submit CSWS Forms and other related documents of all the employees under Head-Quarter, DoL and update accordingly in the CSWS information system.*

3.1.2 Ministry of Economic Affairs

The Internal Audit Division diagnosed the following findings which require active management attention.

3.1.2.1 Compliance to CSWS By-law 2015

- a. As per the CSWS By-Law 2015, the agency is required to submit the monthly CSWS contribution schedule to both the RCSC and the RICB. However, during the review, it was observed that some of the departments have not submitted the copy to RCSC that could result in weak check and balance.
- b. Further, it was observed that CSWS forms of some registered employees who were transferred to the Ministry were not available for review. As per section 13.10 of CSWS By-Law 2015, "Claim should be routed through the member working agency." Therefore non-availability of CSWS forms may lead to weaker controls during claim payout process. .

3.1.2.2 Shortfalls, deficiencies or associated risks in achieving the objectives

- a. Few employees had registered for CSWS membership but no deductions were made. Likewise, contributions were deducted from some employees who were not registered.
- b. The registration documents of few registered members were incomplete.
- c. The CSWS Account Number of some of the registered members was not maintained correctly. Instead of CID number, the account numbers were based on their employee ID numbers and in some cases wrong CID numbers were provided.
- d. In case of Regional Trade and Industry Office (RTIO), Mongar, there were 7 registered members. However during the review it was observed that no contributions were made during the period under review. The Internal Audit team cross checked with the RTIO, Mongar and RICB and found that the contribution for all the registered members were made as arrears in the month of October 2017.

Recommendations:

The following course of actions were recommended for management's perusal:
The HR Division should:

- i. Inform all the employees of MoEA to verify the correctness and the completeness of their CSWS membership.
- ii. Rectify and update the CSWS membership wherein:
 - Non-members from whom deductions have been made are regularized as CSWS members or the refund their contributions made so far.
 - Seek advice from RCSC on the course of action to be taken with regard to those employees who have registered as CSWS members while no deductions were made.

The Finance section should:

- Rectify and update the CSWS account numbers of concerned officials and apprise RICBL for necessary updating of information.

3.1.3 Ministry of Education

The following are the findings and recommendations requiring urgent attention to the management.



3.1.3.1 Membership forms not transferred in the event of members' transfer.

In order to ensure the membership of Civil Servants' Welfare Scheme, the civil servants must submit the registration form 3.2 which serves as the basis to confirm membership status. It also serves as a mechanism in resolving any issue in case of discrepancies arising in the CSWS.

The common understanding between the RCSC and other relevant agencies is that the registration forms and other related CSWS forms should be sent along with the service book when an the member civil servants are transferred. However, during review, auditors observed non-compliance to this understanding and as a result some CSWS forms were missing.

Recommendations:

In order to avoid dispute arising out of unconfirmed membership status, the HR Official was recommended to follow-up with the concerned relieving agency and have the forms filed in the concerned service book of the affected employees. Further, the HRD was also recommended to forward any CSWS and its related forms along with the service book when such transfer cases arise.

3.1.3.2 Incomplete documentation during the member registration

As per Nomination/Update form 3.3, the member must attach photocopy of the following documents as applicable:

- i. Citizenship identify card of member;
- ii. Marriage certificate of the member;
- iii. Citizenship identity card of dependents (except for child below the age of 15 years);
- iv. Family tree from the Dept. of Civil Registration & Census reflecting the CID number allotted to the child aged one year and above and 15 years below;
- v. Birth certificate/Health Card of children (aged 1 years and below);
- vi. Legal adoption paper from the NCWC (for adopted child)

During the review, it was noted that complete set of documents was neither provided by the member nor insisted by the dealing official.

Recommendations:

The concerned HROs were recommended to revisit the records and intimate to the concerned members and compile complete documents.

3.1.3.3 Inconsistent and registration of the dependents without supporting documents

In some instances, dependents of members were not registered even after submitting the supporting documents. While in many cases, the dependents were registered without any supporting documents. There was lack of consistency and communication of information about the incomplete documents to the concerned member.

If the required documentation processes are not completed, discrepancies and un-satisfaction of members are bound to occur during the claim process.

Recommendations:

The concerned dealing HRO was recommended to revisit the documents and update the information in the system.

3.1.3.4 Membership forms not available but contributions to the scheme were deducted.

The membership contributions were deducted from the employee's salary from November 2015 but their registration forms to the scheme were not available for verification. This occurred due to lack of check and balance from the concerned officials and the employees themselves. The internal audit team cautioned that it could over state the fund position as well as have financial implications on the individuals.

Recommendations:

The concerned HROs were recommended to look for the membership forms and file in the service book of the concerned individuals.

3.1.3.5 CSWS contributions not deducted from registered members.

There were employees who were registered members of the CSWS since November 2015 but their monthly contribution to the scheme weren't deducted as required till date. The lapses emerged due to lack of coordination between HRD and Accounts Division which lead to short deposit of fund to the scheme

Recommendations:

The internal audit team recommended the dealing officials to discuss the matter with the concerned employees and workout a viable solution to either continue as a member and make error payments or opt-out of the scheme and reimburse the contributions already made.



3.1.3.6 Irregular collection of contribution

In many instances, there were irregular deductions of member's contributions by the accounts section. The irregular deduction of member's contribution has occurred due to lack of check and balance & monitoring. Such a practice will result in the loss of fund to the scheme as well as misstatement of fund position.

Recommendations:

The internal audit team recommended the concerned accounts personnel to discuss with concerned employees to recover the amounts in arrears.

3.1.3.7 Non declaration of primary Nominee

It was noted that most of the employees have not nominated their primary nominee as per the system. This situation occurred due to lack of information sharing between the HRD and the employees as well as due to ignorance of the individuals.

Recommendations:

The auditors recommended the HRD to notify the employees (both through ministry website and inter office memo) to nominate the primary nominee for CSWS in order to avoid future complications.

3.1.4 Ministry of Finance

The common findings on the audit done by the Internal Audit Unit for the Regional Revenue and Customs Offices (Samtse, Bumthang, Gelephu, Mongar, Samdrupjongkhar, Paro, Phuentsholing and Thimphu), Department of Macro Economic Affairs, Department of National Property, Directorate of Services, Department of National Budget and Department of Public Accounts are summarized below and recommendations were provided where relevant for compliance by the respective management.

3.1.4.1 No CSWS registration/Nomination forms and Opt-out forms

To be a member of the Civil Servant Welfare Scheme, a civil servants must submit the registration form 3.1(old) & 3.2(new recruits), which actually serves as the basis for confirmed membership to the scheme. Alternatively, the confirmation of membership to the scheme can also be tracked from the CSIS. In case of non-registered members, one must opt-out by submitting form 3.6 to circumvent any non-respondents to the membership.

During the scrutiny of the CSWS documents, few Registration forms were found missing. On the contrary CSWS deductions of such members (without registration forms) were being made and remitted to RICBL by the Accounts Section. However, the HR official confirmed their memberships through the CSIS indicating the membership forms could have been submitted but misplaced.

The CSWS by-law 2015 requires all civil servants to submit either registration or opt out form. If a civil servant chooses to submit registration form, nomination details must be captured and such details should be updated in CSIS. These standard forms of CSWS would serve as basis for confirmation of membership if the CSIS system breaks down. Although the chances of system failure could be impossible, such a precaution should be initiated right from the initial stage. The absence of such forms has happened due to lack of proper cross checking of these membership forms by the former HR official.

Recommendations:

In order to ensure accurate membership to the scheme and to avoid any future complications, the HR Officials are recommended to follow-up with those officials (list shared with HR) to resubmit the forms. It is also recommended to obtain Opt-out forms in the absence of their CSWS deductions in order to avoid any non-respondents to the membership. Further, the HRD is also recommended to maintain up-to date information of CSWS pertaining to the ministry.

Management Response:

The HRD has informed to the respective agencies on the missing forms and now all employees listed had submitted their registration and nomination forms to administration section and the same have been filed in respective service books.

The Administration of the concerned agencies has already collected missing forms from the concerned employees.

3.1.4.2 Contributions not made in advance during long term absence from the office

In order to ensure continuity and active membership to the scheme during long term absence of a member, monthly contribution to the scheme is required to be paid by the members in advance. During the review of the CSWS registration forms and the current list of RRCO’s staffs, internal auditors found that an official on deputation have neither made an advance contribution for the entire period of



absence prior to leaving the office nor discontinued the membership temporarily for the duration of deputation as mandated by the CSWS By-Law 2015.

Clauses 9.6 of the Civil Servants By-Law 2015 on members planning long term absence have the following options:

1. To remit the monthly contribution or make advance contribution for the entire period of absence to keep the membership alive. If death of the member were to occur prior to exhaustion of such a contribution, refund of the balance contribution shall be made along with the admissible payout grant;
2. To temporarily discontinue membership for the duration of absence. No risk coverage shall be extended during the temporary discontinuation period. Membership can be reactivated upon resumption of office.

The lack of awareness on above clauses in the By-Law by the HR Officer and the members themselves resulted in the membership being inactive. This might deem the member ineligible to claim the semso grants in cases of death of the member/dependants.

Recommendations:

The HR Official was recommended to follow-up with the official and confirm the membership status. Further, the HRD in consultation with the well being Services under RCSC should develop an undertaking form where the members have to sign and submit it to concerned HR prior to their long term absence. In order to ensure the members continuity to the scheme, the form should clearly capture the clauses 9.6.1 and 9.6.2 in the By-Laws on members planning for long term absence.

Management Response:

The HRD has discussed with RCSC about the developing of undertaking form. The RCSC has informed that Well Being Services unit of RCSC will develop the form for officials who take long leave to maintain their membership continuity during the leave period.

Further, the RCSC has directed the HRD to inform the Department and Regional Offices to collect the lump sum amount in advance from the employees who wish to take EOL or otherwise to cease the membership.

The HRD has already notified the Department and regional offices to collect the amount in advance and deposit in CSWS Accounts with RICBL in case of the employees taking EOL.

3.1.4.3 Copy of monthly remittance schedule not sent to the RCSC by the Accounts Section

A copy of monthly remittance schedule sent to RICBL by the Accounts Section is to track the scheme's fund position prepare reconciliation statements. During the review, it was found out that the RCSC never received the remittance schedule from the Accounts Section of the Ministry of Finance. Upon enquiry with the Administration Section (Officiating accounts) of concerned agencies, auditors diagnosed that they were not aware of such requirements.

As per the common understanding between RCSC and Accounts Section, they are required to send the copy of monthly remittance schedule to RCSC for necessary update in the Civil Service Information System (CSIS). On the other end, the accounts sections attributed absence of such practice to lack of proper sensitization on the requirement by the RCSC. Furthermore, the requirement of sending monthly schedule to RCSC is also spelt out clearly in the Civil Service Well Being document and Civil Service By-Law 2015.

Recommendations:

In order to ensure the correct fund position of the scheme through effective reconciliation at RCSC, the Accounts Sections of the respective agencies were recommended to send a copy of monthly remittance schedule to the Well Being Service Division of the RCSC.

Management Response:

In order to ensure the correct fund position of the scheme and effective reconciliation at the RCSC, the Accounts Section of the respective agencies are recommended to send a copy of monthly remittance schedule to RCSC focal person.

The accounts sections of the respective agencies were not aware that a copy of the monthly remittance of CSWS has to be sent to RCSC. However, the remittance of CSWS w.e.f April 2018 will be emailed to the dealing official of the RCSC. And should they need the remittance copies of the past months; the Accounts Section will submit the same.

3.1.4.4 CSWS forms with the HRD of the ministry instead of the respective regional offices

During the review, the auditors found that the CSWS forms of the member based in regional offices were still with the HRD of the Ministry although their Service Books are maintained with the respective Regional Offices. The underlying principle behind such retention of forms with the HRD was to centralize all HR



functions. Therefore, the CSIS access was granted only to the HRD officials at the Ministry. Hence, it is understood that updating information of members in the CSIS lies with the HRD at the Ministry.

As per the information received from RCSC, the CSWS forms needs to be included in the Service Book of the individuals. The rationale behind such inclusion in the Service Book is to ensure that the CSWS forms goes along with the Service Book during the transfer of the civil servants thus providing complete and necessary information about the civil servants to the transferee agency. At the time of review, it was found that, CSWS forms of some officials were still in the previous agency's file even though the officials were transferred. Thus, the retention of CSWS forms of the Regional Offices at HRD of the Ministry may pose risk of CSWS forms being misplaced and may result in providing inaccurate information, besides leading to time consuming claim processes.

Recommendations:

In order to ensure efficient operation and to avoid any missing forms to the transferee agency, the HRD is recommended to send the CSWS forms to the respective Regional Offices with proper handing/taking. Further, RCSC & HRD should explore alternative ways in providing certain CSIS rights to the Adm. Assts. of the Regional Offices, so that the concerned official can update the information timely and accurately.

Management Response:

The HRD has already sent the CSWS forms to respective regions with the proper handing taking as recommended by the internal audit. Further, HRD has talked with RCSC with regard to the system user right to regional admin. But RCSC has informed us that user right will be given only to the HR Officers of the Ministry. Therefore, the respective regional offices will send to HRD for any additional update. The CSWS forms of concerned employee have been enclosed with the personal file by the respective administration of the regional office.

3.1.4.5 Non-deduction of CSWS fund from few registered employee's monthly salary

While reviewing the accuracy and timely deduction of CSWS member's contribution to the scheme, auditors observed non-deduction of contribution from some registered members who have submitted all the CSWS forms. The submission of registration form is one of the bases for membership confirmation. On the contrary, the monthly CSWS schedules sent to the RICBL also did not reflect

any monthly remittances for such members, which indicated that membership contributions was neither deducted from the salary of employees at source nor remitted by individuals concerned. Non-deduction of contribution at source emerged due to lack of proper coordination between the Administrative Official and the Accounts section. Such practices will result into future complications when those employees claim their payout.

Recommendations:

The HR officials in consultation with the Accounts section of the concerned agencies were recommended to review and explore possibilities to make lump sum remittances.

Management Response:

Few agencies have already collected the lump sum amount from the employees concerned and few of the employees membership has been regularized and regular contributions made.

3.1.4.6 Wrong CSWS Account Number

The CSWS Account number being the Citizenship Identity Card number (CID) allocated to each individual is considered important for the purpose of not only getting the deposits accrued in that account but also disbursing the admissible grant amount or any other payout. During the review, internal auditors identified few case of wrong/anonymous CSWS Number.

Such inaccurate CSWS account number will pose difficulty during the payment of grant or refund. Additionally, it will also pose the risk of wrong total amount of contribution at the individual level in the CSWS account maintained at RICBL. The identified errors in CSWS Account Number had occurred due to non existence of a process to detect such errors. Further lack of awareness issue on consequences of wrong CSWS Account Number by the concerned officials also has attributed to the above lapses.

Recommendations:

The internal audit recommended the AFD to immediately rectify the correct CSWS Account Number of the concerned officials and accordingly intimate to RICBL.



Management Response:

Since the system is quite new, the mistake is made but henceforth, we will assure that such mistakes will be reduced substantially.

The AFD shall incorporate the correct CID number of the concerned employees as per the internal Audit's directives.

3.1.4.7 Unconfirmed membership for civil servants transferred from autonomous agencies

Civil servants posted to the autonomous agencies during the launch of the CSWS had no option to either register or opt-out from the scheme. As such there is an instance of an official transferred to Department of National Budget from Election Commission of Bhutan whose membership was not confirmed as on the date of audit.

Non-confirmation of membership to the scheme in this particular case transpired due to lack of proper guidelines to deal with such a case.

Recommendations:

The HR official was recommended to consult with the officials transferred from ECB on his interest to either register as a member or opt-out. The HRD in consultation with the RCSC was also recommended to seek clarification for those officials transferred from autonomous agencies on the possibility to join membership and accordingly validate their membership or opt-out using the required form.

Management Response:

The employees who were working for the autonomous agencies during the commencement of the CSWS were neither reflected as members nor non-members. But the deductions were not made from their salary.

The HRD is currently seeking the advice of the RCSC whether to enroll them as CSWS members or non-members. The HRD will also consult the individuals for their suggestions.

3.1.4.8 CSWS deductions made although op-out form was submitted

The civil servants were given one time opportunity to either become member of the scheme or to opt- out. Therefore, given such opportunity, an official from a department had submitted the opt-out form in order to discontinue the scheme. However during the review, although the official has submitted the opt-out form

on 10th March 2016 to HRD, his contribution amount was still being deducted as of October 2017. Having submitted the opt-out form by the official, the former HR official has failed to further communicate on the discontinuation of the official's contribution to the Finance Division.

The CSWS By-law 2015 requires the HR Official to continually maintain up-to-date information about the new membership as well as opt-out list. The lack of un-updated information on the CSWS members may lead to inaccurate information of the CSWS members.

Recommendations:

In order to ensure that the deductions are not made against those opted out officials, the HRD was advised to communicate such information to the Finance Division for appropriate actions. Further, having submitted the opt-out form by the concerned official, the HR official in consultation with the Finance Division is also recommended to refund the official's contribution amount.

Management Response:

This observation by the Internal Audit Unit shall be strictly put into action to prevent future lapses. The HRD would do as per the recommendations provided.

3.1.4.9 Non identification of agency for the reconciliation of the contributions

The reconciliation for contribution is one of the mechanisms in ensuring accurate accounting of monthly contribution records between the parties. Additionally, the reconciliation will also red flag discrepancies and ensures the accuracy of the figures.

During our review, as per the contribution report submitted by the RICBL and the schedules received from AFD, the following discrepancy for the month of April 2016 was noted:



Months	Amount reflected at RICBL	Amount remitted by Finance Division	Differences between RIC-BL and AFD	Remarks
November, 2015	7,400.0	7400.0	0	
December, 2015	7,600.0	7600.0	0	
January, 2016	7,700.0	7700.0	0	
February, 2016	8,100.0	8100.0	0	
March, 2016	8,100.0	8100.0	0	
April, 2016	0.0	8100.0	-8100	Report generated from RICBL did not show the remittances for April 2016
May, 2016	8,100.0	8,100.0	0	
June, 2016	8,100.0	7,900.0	200	
July, 2016	7,025.0	7,025.0	0	
August, 2016	8,025.0	8,025.0	0	
September, 2016	8,025.0	8,025.0	0	
October, 2016	7,725.0	7,725.0	0	
November, 2016	7,725.0	7,725.0	0	
December, 2016	7,725.0	7,725.0	0	
January, 2017	11,125.0	11,125.0	0	
February, 2017	8,325.0	8,325.0	0	
March, 2017	8,725.0	8,725.0	0	
April, 2017	8,525.0	8,525.0	0	
May, 2017	8,625.0	8,625.0	0	
June, 2017	8,825.0	8,825.0	0	
	155,500.0	163,400.0		

The difference in the contribution amount between the two parties was due to lack of proper identification of agency for the reconciliation of the contribution amount. Without reconciliation process in place, timely detection of errors will not be possible.

Recommendations:

In order to ensure accuracy of the CSWS contribution figures and to ensure detection of timely error, the RCSC is recommended to identify appropriate agency for the reconciliation of the monthly contributions.

3.1.4.10 CSWS membership not confirmed for members assuming office after long term leave.

Auditors noticed that officials who resumed office after their long term studies were not informed about the scheme which gave them no opportunity to either get registered as members or opt-out. Providing information on the available option to these groups of civil servants was critical to give everyone an equal opportunity.

As per the CSWS By- Law 2015, civil servants on long term leave (study, secondment, EOL, etc) were given one time opportunity to either become members of the scheme by submitting the form 3.1 or opt-out using form 3.6 within a period of one month after resuming their service.

The lapses occurred due to lack of knowledge among HR official on such clauses in CSWS By-Law 2015.

Recommendations:

Although the confirmation of membership period has already exhausted for those officials, the HRD is recommended to consult those officials on the option. If any of the officials has the interest in the membership, the HRD may consult with the Well Being Service, RCSC for seeking approval for their membership.

Management Response:

The HRD has collected the opt-out forms from the officials concerned. The HRD/respective regional administration shall inform those who were on studies prior to the launch of welfare scheme to register for CSWS membership within a month of joining the office from long term studies/EOL.

3.1.5 Ministry of Foreign Affairs

The findings generated by the Internal Audit Unit during the course of review are as summarized below:

3.1.5.1 Extra contributions made by a CSWS member to the scheme

An employee was re-mapped to the position level P5 B from S1 A with effect from 1/3/2016 in accordance with the RCSC letter of April 8, 2016 without any change in his pay. However, because of the re-mapping of his position level, the employee has been contributing additional Nu.100 monthly from April 2016.



Recommendations:

As per the RCSC notification RCSC/WS-4/2016 1396 dated October 26, 2016, civil servants who are re-mapped from S1 A to P5 B will contribute Nu.100 monthly to the CSWS. The Accounts Section and the Human Resource Section of the Ministry were recommended to work out the extra contributions remitted to the CSWS account and process with the RCSC for refund of the amount to the member. Further, the Accounts Section should also rectify the problem in the accounting system.

3.1.5.2 Non-deduction of monthly CSWS contributions from some employees

1. An employee was promoted to SS 4/A from S1A with effect from 1 June 2016 but his monthly contributions to the scheme was not deducted from July 2016 till May 2017.
2. The AFD has not deducted and remitted an employee's monthly contributions to CSWS account from June 2016. The particular employee joined the Ministry with effect from 1 June 2016 upon transfer from the RBE, Bangkok. The said employee was a registered CSWS member with effect from November 2015.
3. The Accounts Section has not deducted the CSWS contributions for two employees from December 2015 since their December 2015 salary was paid in January 2016.
4. An employee was registered as a CSWS member with effect from November 2015. However, the monthly contributions to the scheme started only with effect from January 2016.
5. An employee's membership to the CSWS is with effect from January 2016 as per the approved membership form and the initial monthly contribution to the scheme.

Recommendations:

1. *The Accounts Section should work out an employee's CSWS contribution arrears and remit the amount to the CSWS account, and also rectify the problem in the accounting system.*
2. *The Accounts Section should work out the particular employee's CSWS contribution arrears and remit the amount to the CSWS account. The accounts personnel dealing with the CSWS should confirm the CSWS membership of an employee with the Human Resource Section of the Ministry when an employee's name appears in the payroll of the Ministry upon transfer or appointment. Sometimes, the CSWS deduction does not reflect in the individual's LPCs although they are members of the scheme.*

3. *The Accounts Section should remit their CSWS contribution arrears of December 2015 to the CSWS account.*
4. *The Accounts Section and Human Resource Section of the Ministry should either change the date of her membership of CSWS or collect her CSWS contribution arrears of November and December 2015 and deposit the amount into the CSWS account.*
5. *The Human Resource Section of the Ministry should correct the employee's date of CSWS membership.*

3.1.5.3 Address of transferred employees not updated

Two employees' addresses were not found updated although they were transferred to other agencies. During the course of review, auditors detected their address listed in their previous place of work that is RBE, Bangkok of the Ministry of Foreign Affairs.

Recommendations:

The Human Resource Division is recommended to delete their names from the CSWS members' list of the Ministry and update based on their new place of posting.

3.1.5.4 75% refund not made on separation from the civil service

The Human Resource Division of the Ministry has not processed the refund of 75 % of the total accumulated amount of the CSWS members who are separated from the civil service.

Recommendations:

The Human Resource Division of the Ministry should process for the refund of 75 % of the accumulated amount of the members' contributions to the scheme with the RCSC.

3.1.6 Ministry of Health

The audit resulted to following observations and findings were ordered keeping in mind the priority of attention required from the relevant management (units/officers):

3.1.6.1 Short/Non deduction of CSWS: Nu.2,107,400.00

During CSWS audit of indicated agencies under, MOH, CSWS contributions from several employees were found inconsistent. There were 1,030 cases of short recovery of CSWS monthly contributions and 216 cases of excess deductions.



Among others, non-submissions of CSWS registration and nominee forms were cited as reasons for exclusion of the employees from CSWS deduction. The contributions of the drop out employees, in line with eligibility therefore need to be recovered and deposited to appropriate RICB account. The list of employees requiring the arrear deposit of CSWS was shared with the management.

Further as per the CSWS By-law clause no 7.4. "Civil servants appointed after the launch of the scheme shall become members by default". During the course of the review it was observed that deductions from members even joining service in 2016 and 2017 was not effected consistently.

a. Root causes leading to above variation:

Short recovery of CSWS as highlighted above had ensued mainly due to either inter departmental transfer of employees or untimely submission of CSWS registration and nomination forms to respective HR Offices by employees. There also appeared miscommunication between HR and account offices with regard to long-term leave of absence of employees leading to inconsistency in CSWS realization. Misallocation of position level in the HR system (CSIS) of RCSC was also observed as reasons for erroneous deduction of CSWS in few cases.

a. Recommendation:

1. *HRD, MOH need to properly verify all the transfer cases and communicate to respective accounts section in line with notification DNB/R-Notification/2014-15/553 dated 05/12/2014 issued by MOF.*
2. *All CSWS dropout cases need to be rechecked and communiqué issued to all CSWS members to re-verify individual status online and submit required documents as found missing in the personal file.*
3. *HRD should issue list of employees on long-term leave on biannual basis to Finance Officers so as to update the PEMS/CSWS system on regular basis.*
4. *HRD also need to cross verify the position level of respective employees and update correctly in CSIS/PEMS/CSWS on real-time basis and communicate to Finance section accordingly.*
5. *CSWS focal personnel of the respective agencies/Departments should in collaboration with the relevant account officers work out the actual variations in the relevant agencies. This is required due to inter/intra departmental transfers of the CSWS members.*

3.1.6.2 CSWS deduction ultra vires to CSWS By-Law 2015: Nu. 361,075.00

IAU of the ministry during its review observed that there was an inconsistency in deduction of CSWS. As per Provision 9.7 of the CSWS By-Law, “The scheme shall require every member to make a monthly contribution in the following categories”:

Position category	Contribution (Nu.)
Executive & Specialists	300
Professional & Management	200
Supervisory & Support (SS)	100
Operational	75

The CSWS by-law as per the table above required Nu. 100/month to be deducted as CSWS contribution from members placed under “Supervisory and Support” that is ‘SS’ level. It was however found that CSWS contribution deducted from most of the civil servant mapped under ‘SS’ were Nu.200 per Month. This, in the opinion of the IAU is due to absence of proper clarity/notification from RCSC regarding CSWS deduction from the above cited Position level of civil servants. As a result excess deduction was made in **216** cases. Based on above observations the apparent refund cases are worked out and intimated the management of the Ministry.

a. Root causes leading to above variation:

The above finding arose due to lack of clarity on CSWS deduction for the employees placed under SS categories. Provision 9.7 of the CSWS By-Law 2015 specify that CSWS for “Supervisory and Support position is Nu. 100, whereas general perception is that “SS” level employees are tagged as “P” in relation to CSWS. As the report is based on the CSWS By-Law, the clarity/amendment of CSWS By-Law on the above issue is felt urgent and imperative.

b. Recommendation:

1. *HRD is advised to seek clear legal directive on the CSWS contribution that commensurate with CSWS BY-Law 2015 from RCSC legal officer and seek clarity from RCSC on uniformity of CSWS deduction for “SS” category of civil servants.*



2. Upon receipt of the clarification on contribution required from “SS” category of Civil servants from RCSC, HRD and accounts shall revisit the past contributions of employees under “SS” position level and make necessary correction accordingly.

3.1.6.3 Additional CSWS deposited amounting to Nu. 200.00

An employee stationed under Deothang Military Hospital (DMH) from Feb 2017, was transferred from dzongkhag. In the LPC provided to MoH, a monthly contribution of Nu. 100.00 were made beside CSWS contribution. The contribution was rightly deposited to RICBL from the salary of the employee since the day the employee joined Deothang Military Hospital.

However from the May 2017 onwards an additional contribution of Nu.100.00 was being deducted and deposited to RICB in the CSWS account. Upon enquiry it was observed that the employee’s previous employer had instituted an in-house Staff Welfare Scheme perhaps specific to staff of that agency. Therefore, LPC of the employee reflected the same which was continued in the in DMH. The amount so deducted was deposited to RICL in addition to CSWS contribution. In the opinion of the IAU, the deduction and deposit is in excess to CSWS contribution liable from the employee. CSWS contributions as per PEMS and additional deposits made were shared with the management for their perusal.

Recommendation:

The IAD therefore recommended the dealing accounts officer (MoH) to check the need of such additional deduction and carry out necessary correction including refund (if necessary).

3.1.6.4 Incomplete documentation/Records:

As per the CSWS registration form 3.3 the following documents are to be submitted along with the registration form:

- i. Citizenship identity card of the member;
- ii. Marriage Certificate of the member;
- iii. Citizenship identity card of dependents (except for child below the age of 15 years);
- iv. Family Tree from the Dept. of Civil Registration & Census reflecting the CID number allotted to the child aged one year and above and 15 years and below;
- v. Birth Certificate/Health Card of children (aged 1 year and below);
- vi. Legal adoption paper from the NCWC (for adopted child).

However, while doing a random verification of the CSWS forms submitted by the members, it was observed that out of 100 samples, four members were admitted in to CSWS without the marriage certificates as required by the by-law:

3.1.6.5 Mismatch of CID/Name and EID in System:

It was also observed that employee ID and CID of number of employees were not correctly updated in the CSWS system. Specific details of such cases were disseminated through Annexure A (1-15) of the report issued to the management.

In addition, it was also observed that some EID/CID was found allotted to various persons in the CSWS system. A detail of the same was shared with the management to cross verify and update the records accordingly.

Recommendation:

In respect to observations No. 3.1.6.4 & 3.1.6.5, HRD officials of the respective departments were advised to check the documentation status of member employees and take necessary steps to obtain and update the same in respective files. In case of CID/EID status, relevant HR/Account officials were advised to update the record of employees in CSIS/PEMS accordingly.

3.1.6.6 CSWS deposit on single account number:

It was observed that CSWS contribution is being deposited in RICBL on regular basis in account number allotted to respective collecting agencies. CSWS in the opinion of the auditors resembles insurance scheme covering demise of insured and the dependents. The deposits are made into single consolidated account. Thereby RICBL acts simply as banker for the scheme. This entails regular human interventions in absence of robust monitoring software system, which may result inconsistency in maintaining it.

Recommendation:

A system needs to be developed whereby all relevant agencies and stakeholders could check individual status and detect any discrepancy in CSWS deduction, deposit and benefit disbursement even at individual level. Such reporting system should provide reports indicating the drop out cases as and when required by authorities.

3.1.7 Ministry of Home and Cultural Affairs

3.1.7.1 Departments without regional offices:

The findings of CSWS audit in six departments without regional offices and having its head office in Thimphu are summarized as follows:



3.1.7.2 Non deduction of members' contribution (Nu. 24,300)

According to Chapter 9 of CIVIL Servants' Welfare Scheme (By-Law 2015) clause 9.1, funds for the Civil Servants' Welfare Scheme shall be generated through a monthly contribution from all its members; and as per clause 9.2, the contribution shall be deducted at source by the respective Finance/Accounts Sections and deposited into the welfare account maintained with a partner financial institution. The following were observed under each department in the ministry.

The review revealed that, the monthly contributions to the scheme was not deducted in accordance with the provisions sated above for some employees as summarized below since the inception of the scheme. The specific detail of the same was intimated to the management for their actions.

Sl. No	Department	Number of employees	Amount to be deducted till June 2017.
1	Department of Local Governance	2	10,200
2	Department of Civil Registration and Census	1	2,400
3	Department of Culture	6	10,600
4	Department of Disaster Management	4	1,100

Furthermore, an employee's opt out form could not be traced out, although the employee opted out since the inception of the scheme. On the contrary membership contribution amounting Nu.200 was deducted from salary of the employee for the month of April 2016 despite the non-member status.

The compliance issues highlighted above had occurred apparently due to lack of co-ordination between the dealing officer and other member involved in it. The Internal Audit Unit recommended reimbursing the amount deducted from the non member and updating the document as per the By-Law 2015.

Recommendation:

In contradiction to the above cited clause, the Internal Audit Team of the Ministry recommended that the dealing officer (Accounts section) recover the member contributions and deposit the same in the Budget Fund Account of the Ministry.

3.1.7.3 Department of Immigration and the Regional Immigration Offices

CSWS audit of the Department of Immigration and the Regional Immigration Offices were carried out as a separate engagement and the findings of the audit thus conducted are summarized as follows:

3.1.7.4 Non-deduction of member contribution

i. Head Quarter, Department of Immigration

The review revealed that, the monthly contribution to welfare fund for an employee was not deducted for the month of January and February 2017 as per the provision of the CSWS By-law. This had occurred apparently due to lack of co-ordination between the dealing officer and other members involved in it.

Recommendation:

The audit team recommended that the dealing officer (Accounts section) to recover the member contributions and deposit the same in the Budget Fund Account of the Ministry.

ii. Gelephu Regional Immigration Office

During the review, it was observed that an employee although appointed on 11th August 2016 via Appointment Order No. MoHCA/HRD-02/2016/373 dated 11th August 2016; the membership contribution to the scheme was deducted only from the month of November, 2016. This resulted in short deduction Nu. 300. Since the employee is transferred to another regional office, the shortage in membership contribution which occurred at Gelephu Regional Office could not be recovered at the current regional office of the employee. The specific detail on the same was shared with the management through the internal audit report issued.

Recommendations:

Internal Audit Unit recommended the Gelephu Regional Office to recover the amount and deposit the same in Budget Fund account of the ministry.

iii. Regional Immigration Office, Phuentsholing

As per appointment Order No MoHCA/HRD-02/2016/373 dated 11th August 2016, some employees were appointed on 11th August 2016, but their membership contribution to the scheme was deducted only from the month of November 2016, thereby resulting in shortage of Nu.300 each in the CSWS individual account. A detail on the same was shared with the management.

Recommendations:

Internal Audit Team recommended recovering the amount from individuals and depositing the same to their individual CSWS Account maintained with RICBL.

**Management Response:**

Amount of Nu 8700 has been recovered from the individuals via letter No. RIO/Pling/Accts/2017-2018/2608 and deposited to RICBL dated 19 March 2018 and the Para is solved.

iv. Samdrup Jongkhar Regional Immigration Office

Thirteen officials (list shared with management) joined service on 15th January 2017 via appointment order no. MoHCA/HRD-02/2017/554 dated 27th January 2017. However the deduction for membership contribution was made only from February 2017 resulting in short deposit of one month's contribution to CSWS.

The accounts section on intimation of the information collected cash from individuals and deposited the same RICBL. Therefore, the observation is settled, hence no further action was recommended.

v. Regional Immigration Office, Samtse

The Internal Audit Unit reviewed the CSWS in Regional Immigration office, Samtse as envisaged through letter number MoHCA/IAU-06/2017-2018/3007 dated 6 March 2018. During the review no anomalies were detected. Therefore, the Internal Audit Unit of the Ministry (MoHCA) concluded that all required process and procedures in administering CSWS were in accordance with the provisions of the CSWS By-Law 2015.

The findings and conclusions expressed were based on conditions as they existed at the time of the audit, and apply only to the department examined.

3.1.7.5 Incomplete member registration formalities

The internal audit team reviewed the documentation formalities of the members adopted by the departments and HRD Division of the Ministry.

Clause 7.2, Chapter 7 of CSWS By-Law, 2015 states that Civil Servants appointed prior to the launch of the scheme shall have one-time opportunity to either become members of this scheme by submitting Form 3.1 or opt-out using Form 3.6; and clause 7.4 requires civil servants appointed after the launch of the scheme to become members of the scheme by default and register using Registration Form (Form 3.2).

On examination of the files maintained, it was noticed that controls for administering CSWS were not operated in accordance with provisions of CSWS

By-Law in almost all departments and regional offices cited above which lead to improper maintaining of documents. While some members were enrolled without complete document, others had their registration forms missing in the records maintained with HRD/Admin section. This was prevalent mostly in transfer cases of employees.

Recommendations:

The audit team recommended that proper and complete records should be maintained for each member of CSWS adhering to the requirements in the By-Law. There is a need for a better system to gather information on CSWS activity for analytical, managerial and reporting purposes. The management framework should be made clear to all the members and steps should be taken by the management to improve its efficiency. The dealing accounts personal and HRD should play active role in ensuring the contribution are deducted on monthly basis and deposited as stated in the CSW By-Law.

3.1.8 Ministry of Information and Communication

3.1.8.1 CSWS membership forms not verified

As per the CSWS By-Law 2015, forms for membership should have been fully filled by the applicant and the information given should be first verified by the Human Resource Officers and then by the head of the agency. But it was observed that, in almost all the forms, the seal and sign of the verifying Officers were missing. This indicated that there no proper verification of the CSWS forms as required by the By-Law.

Recommendation:

The human resource management is recommended to once verify all the forms to avoid unnecessary circumstance in future.

Management Response:

The membership form has been verified and the details are updated accordingly in the CSIS. Individual employees can view the status online and also process claims online. HRD had now verified the hard copy of forms for future reference as recommended.



3.1.8.2 Submission of incomplete forms

Under Section 7.10 of CSWS By-Law, 2015, one of the options available to members who do not have any direct dependant to receive the grant on their demise is that they nominate at least one person as a representative to receive the admissible grant. During the review, it was observed that membership forms were submitted with incomplete information such as name of the direct dependents. In some cases, name of individuals apart from their direct dependents were mentioned without specifying whether they are representative or not. Furthermore, supporting document such as citizenship identity card, marriage certificate, birth certificate were found missing.

Recommendation:

The review team recommended the human resource management to look into the matter and ensure that all the forms are dully filled and the required documents are attached as required by the law.

Management Response:

HRD had updated the dependents details according to forms submitted by the individual employee. The missing supporting documents has been submitted by the concern employee and attached with the individuals CSWS forms for future reference.

3.1.8.3 CSWS membership form submitted but deduction not made

While reviewing the membership form, it was observed that some employees had submitted the CSWS membership forms but the deductions were not made as indicated by the schedule submitted to RICBL. This was brought to the notice of management with the detailed list shared through the final internal audit report issued to the management.

Recommendation:

The human resource management should cross verify the documents of the individuals listed in the report and intimate the accounts section.

Management Response:

HRD had reviewed and verified the forms. For those employees whose membership contributions were not deducted, HRD had requested the Finance Division to deduct the same as arrear and suggested to continue the deduction thereafter.

3.1.8.4 Employee identity number (EID) not updated in schedule

While verifying the CSWS membership forms, it was observed that there were 15 employees under various departments who did not write their employee identity number (EID) at all or written incorrectly in the form. List of individuals with EID missing or incorrectly written in the CSWS registration forms had been shared with management. This occurred due to non-verification of registration forms at initial stage of membership registration.

Recommendation:

The HRD was recommended to cross check the documents and update the employee identity number of the individuals in the CSWS membership forms.

Management Response:

HRD had requested Finance Division to verify and update the EID accordingly in the monthly schedule.

3.1.8.5 No membership form found but deduction made

While verifying the CSWS forms, it was observed that in two cases, the required forms and documents were missing. However, deductions were made with effect from the start (November 2015) of the scheme.

Recommendation:

The HRD was recommended to inform the individuals to submit the CSWS membership forms to avoid unnecessary confusion in future.

Management Response:

The list of employees with missing CSWS registration form as provided by the Internal Audit Unit had been verified. During the process it was noticed that forms of some employees had been submitted to Civil Service Wellbeing Division of RCSC. For those employees who came on transfer from other agencies, the HRD had requested individual employees and the respective relieving agencies to send the forms accordingly. For the employees who have not submitted the registration forms at all, they have been requested to submit the same and the forms received by HRD are filed for future reference.



3.1.8.6 CSWS claim forms not verified

During the review, it was also observed that the CSWS claim forms were not verified by the authorized officials in most of the cases. As per the claim form, the Human Resource Officer of the respective department should verify first and then by the head of the agency before the claim is being processed.

Recommendation:

The internal audit team recommended the management to verify the claim form and abide by the CSWS By-Law.

Management Response:

The HRD had verified the claim forms that were left without such verification.

3.1.8.7 CSWS contribution not deducted for first two months

While reviewing the monthly CSWS schedule, it was observed that the region office of RSTA based at Samdrup Jongkhar hasn't deducted the monthly CSWS contribution for the month of November and December 2015. The members have submitted the CSWS forms in the month of November 2015 as required by the CSWS By-Law. However, deduction of monthly contribution was made from the month of January 2016 onwards only. Also, there was no arrear deduction made for these two months (November and December 2015).

Recommendation:

The management was recommended to comply with the CSWS by-law by making an arrear deduction for the first two months.

Management Response:

HRD informed RTO, RSTA S/Jongkhar Regional Office to deduct the contribution for Nov and Dec 2015 as arrear and accordingly submit the schedule for verification and settlement.

3.1.9 Ministry of Labour and Human Resources

3.1.9.1 Misperception of becoming members

It was observed that all civil servants under Ministry of Labour and Human Resources are registered despite of not filling Form 3.1. As per section 7, clause 2 of Civil Servants' Welfare Scheme's By-Law 2015, "Civil servants (appointed prior to the launch of the scheme) shall have one-time opportunity to either become members of this scheme by submitting Form 3.1 or opt-out using Form 3.6". The Civil Servant who wishes to opt out of the scheme has also not filled the Form 3.6 and 3.1 but all were registered.

Enrollment of all the civil servant under Ministry in the scheme without fulfilling the condition of admitting members had happened due to lack of proper maintenance of registration form by concern HR officer. Moreover, HR officer decided to include all the civil servant under MoLHR as registered members reasoning they have not filled up Form number 3.6 to opt out. List of employees who did not fill up either of the forms were brought to the notice of Management through internal audit report issued to the management.

Recommendation:

The Human Resources Division has to collect the registration Form 3.1 from those who wish to continue with the scheme and Form 3.6 from those who wish to opt out from Scheme.

Management Response:

This must have happened, as there is no systemic coordination between the HR Division and Accounts Section on the membership registration of Civil Servants in CSWS and deduction of monthly contribution.

Management Action Plan:

As per the recommended by internal audit, the HR Division will initiate collecting registration Form 3.1 for those who intend to continue with the Scheme and From 3.6 for those who wish to opt out of scheme. Further, HR Division felt that there is need to establish systemic coordination between the HR Division and the Administration and Finance Division on the CSWS membership and deduction of contribution as following:

- a) HR Division to intimate membership registration to the Accounts Section.
- b) Accounts to initiate deduction on receipt of membership registration information from the HR Division.



3.1.9.2 Inadequate auxiliary document with nomination/update form

Form 3.3 of Civil Servants' Welfare Scheme's By-Law 2015 states that all member of Civil Servants' Welfare Scheme must attach the photocopy of the following documents as applicable;

1. Citizenship identity card of the member;
2. Marriage Certificate of the member;
3. Citizenship identity card of dependents (except for child below the age of 15 years);
4. Family Tree from the Dept. of Civil Registrant on & Census reflecting the CID number allotted to the child aged one year and above and 15 years and below;
5. Birth Certificate/Health Card of children (aged 1 year and below);
6. Legal adoption paper from the NCWC (for adopted child).

It was observed that the majority of civil servant under the Ministry hadn't attached copy of documents as per as the requirement specified in Form 3.3. This occurred due non submission of documents in time by concern civil servants and HRO accepting the Nomination Form without verifying the documents. When such required supporting documents are not attached with the nomination Form 3.3, both the claimant and concern HRD will have complication in paying future benefits of the scheme.

Recommendation:

The Human Resources Division was advised to collect the supporting documents as per Nomination Form 3.3 from those who wish to continue with the scheme.

Management Response

The HR Division on receipt of Form 3.3 review the documents required and inform individual Civil Servants about the requirements. However, there are cases where individual civil servants must have forgotten to submit and/or HR Division has forgotten to ask them again, but in general when we visit Institutes and Regional Offices, we remind them to submit documents if they have not submitted and to update nomination of dependents on continuous basis.

Management Action Plan

As per the recommendation of Internal Audit Report, the HR Division will collect documents as per Nomination Form 3.3 and in future we will make sure that all the necessary documents are in place during the receipt of Nomination Form 3.3.

3.1.9.3 Deduction of membership contribution from non-members of scheme

Civil Servants' Welfare Scheme's By-Law 2015 states that "Civil servants (appointed prior to the launch of the scheme) shall have one-time opportunity to either become members of this scheme by submitting Form 3.1 or opt-out using Form 3.6".

It was noticed that although, two employees from Department of Employment had opted out of Civil Servants' Scheme, the accounts division deducted membership contributions from their salary. This has happened due to non-submission of Form 3.6 and verification of form by the dealing officer.

Recommendation:

1. *The Human Resources Division has to verify the documents and refund the amount collected so far.*
2. *The division must verify the document before sending list to accounts section for deduction in future.*
3. *The Ministry must reconcile contribution amount with the RICBL data every month.*

Management response:

This must have happened as there is no systemic coordination between the HR Division and Accounts Section on the membership registration of Civil Servants in CSWS and deduction of monthly contribution.

Management Action Plan:

As recommended by internal audit, HR Division will verify the documents and look for possibilities to refund the amount collected so far and verify documents before sending the list to Accounts Section for deduction.

3.1.9.4 No Precision Data of Civil Servant with Insurance Co.

The CSWS system should be robust and fully functional. Moreover, Insurance Company must have all the data of civil servants who are registered and resigned.

It was observed that the CSWS databases system is not robust and functional as the system is not able to detect whether the civil servant has paid contribution for particular month or not. This happened due to the insurance company's dependence on the agencies for the data. System faulty can be root cause for missing monthly contribution.



Recommendation:

Royal Civil Services Commission must make sure that the system used by the Insurance Company is robust and able to detect monthly defaulters.

3.2 DZONGKHAGS

3.2.1 Dzongkhag Administration, Dagana

3.2.1.1 Non-deduction of CSWS from employees (Nu.15,800)

[Clause 9.5](#) of CSWS By-Law states that “If a member fails to make the contribution on time, s/he must pay the due contribution amount as arrears in the following month.”

The auditor during the course of review observed that a total of Nu.15,800 was not deducted as CSWS contribution from various employees for the month of November 2015 and December 2015.

Recommendation

The Internal Audit Unit recommended the concerned Accountant to deduct the amount as an arrear from the following month to prevent loss of fund and reconciliation problem with the RCSC.

3.2.1.2 Inadmissible deductions from the non-members (Nu.2,175)

During the course of review, it was observed that a total of Nu.2,175 was deducted as CSWS contribution from the non-members. The CSWS by Law 2015, clause 7.1 states that “membership is for Regular Bhutanese Civil servants” but while test checking the details of employee and schedule sent to RICBL, It was found that CSWS contribution was deducted from contract employees amounting to Nu.2,175.

Recommendation:

Internal Audit Unit recommended the concerned Accountant to stop deducting CSWS contribution from non-members w.e.f January 2018 and to reimburse the amount already deducted by corresponding with RICBL and RCSC in order to reduce the risk of administrative burden and fund over statement.

3.2.1.3 Membership of an employee not updated in the CSIS

The internal auditor observed that the membership registration of an employee was not updated in the CSIS despite submission of all the documents from their end.

Recommendations:

The Internal Audit Unit recommended the HR Section to update the membership and dependents details of the employee to avoid problems during payout process.

3.2.1.4 Dependent details of few employees not updated in the CSIS

While cross verifying the CSWS forms with the information contained in CSIS, it was found out that the dependents detail of the few employees were not updated. This occurred due to lack of verifying the forms by the controlling officer which may compromise the objectives of CSWS.

Recommendations:

The Internal Audit Unit recommended the HR Section to update the membership details of the those employees as reflected in the CSWS forms so that the objective and purpose of CSWS is met and internal control system is further strengthened.

3.2.2 Dzongkhag Administration, Gasa

3.2.2.1 Irregular deduction of CSWS (Nu.400)

While determining whether the CSWS contributions have been made monthly from the registered members as per by-laws or not, three registered members of the Dzongkhag administration were found without contribution to scheme deducted at source amounting to Nu.400.

3.2.2.2 Non-deduction of CSWS contribution from employees recruited after November 2015 (Nu.22,000)

On reviewing the CSWS deduction status for the employees recruited after November 2015, Internal Audit Unit observed that Nu.22,000 was not deducted from the employees of various sectors.

3.2.2.3 Non-remittance of CSWS on time

As per the CSWS Bylaws, CSWS monthly contributions should be deposited in the designated account within the 10th day of the following month. However, it was observed that the monthly contributions had not been deposited within the prescribed time. The details of delayed contribution deposits have been intimated to the management for their reference.



Recommendations:

Since the lapses has occurred due to an oversight, the IAU recommended the Dzongkhag Finance Section to exercise due diligence while preparing salary disbursement of individual staff to ensure that all the required deductions are made and accounted accordingly. To avoid future complication, deposit of monthly CSWS contribution within the stipulated time was recommended. .

Furthermore, the RCSC had also recommended updating the monthly contribution of individual members in the CSWS system since the system did not show up-to-date contribution of the members.

Management Response:

Finance Section has updated the CSWS contribution of the officials who were missed out un-intentionally. It shall affect the deductions immediately should the PEMS allow or otherwise collect in cash and deposit into respective CSWS account.

The Dzonkhag Finance Section is aware of the rules and regulations governing the CSWS. However, considering the remoteness of the place of work, the supply of electricity is not stable and similar is the internet connectivity. While the possible cause of late deposit is beyond the control of the Finance Section, we shall try to make the remittance sooner the salary is disbursed and also keep proper record of cause should we fail to make the remittance on time.

3.2.3 Dzongkhag Administration, Mongar

3.2.3.1 CSWS membership form missing for those officials transferred to the agency.

During review of the CSWS, documents such as Registration form 3.2 and Nomination form 3.3 were found missing for 49 officials of various sectors, although their CSWS contribution deducted and remitted to RICBL by the Finance section. These happened especially in case of officials who came on transfer from other agencies. Additionally, as per the common understanding between the RCSC and the relevant agencies, the registration form and other related CSWS forms should be sent along with the service book when an official is transferred. The detailed list of officials whose aforementioned forms were missing has been shared with the management.

The HR concerned did not forward the CSWS forms along with the service book as they were not aware of such requirement. Absence of CSWS forms in service book may pose difficulty in confirming the actual membership status of the member during the claim process.

Recommendation:

In order to ensure accurate membership thereby avoiding future complications, the HR Official is recommended to follow-up with the officials concerned in resubmitting these forms if they were registered members in CSIS. Further, the HR Section was also recommended to maintain up-to date information of all the officials on CSWS.

3.2.3.2 Contributions during Long term absence from office to be made in advance

To ensure continuity and active membership of members during their long absence, CSWS contributions are required to be paid in advance. Verification of members' contribution revealed that members on EOL did not pay their contribution in advance.

Clauses 9.6 of the Civil Servants By-Law 2015 specified the following options for members on long term absence:

1. To remit the monthly contribution or make advance contribution for the entire period of absence to keep the membership alive. If death of the member were to occur prior to exhaustion of such a contribution, refund of the balance contribution shall be made along with the admissible payout grant;
2. To temporarily discontinue membership for the duration of absence. No risk coverage shall be extended during the temporary discontinuation period. Membership can be reactivated upon resumption of office.

The lack of awareness on above clauses in the By-Law with the relevant dealing officials and members themselves resulted in the membership being inactive during long term absence. This may lead to impossibility of claiming semso grants in cases of death of the members/dependants during such period.

Recommendation:

The HR Official was recommended to take note of the provision in the CSWS by-Law. The HR official in consultation with the Well Being Services under RCSC should develop an undertaking form in which members can sign and submit to concerned HR prior to their long term absence.



3.2.3.3 Copy of monthly remittance schedule not sent to RCSC by the Accounts Section

A copy of monthly remittance schedule has to be sent to RICBL by the Accounts Section for tracking fund position and reconciliation at the RCSC. While consulting with the dealing official in Accounts Section, the internal audit unit was informed that schedule of monthly contribution deposited to RICBL from the Dzongkhag was never endorsed to RCSC as the accounts section was not aware of this requirement.

The common understanding between RCSC and Accounts Section is that they are required to send the copy of monthly remittance schedule to RCSC for necessary update in the Civil Service Information System (CSIS). The lapses observed are largely attributed to poor sensitization and CSWS By-Law being silent on the aforementioned requirement.

Recommendation:

The Accounts Section is recommended to send a copy of monthly remittance schedule to the Well Being Service of the RCSC henceforth.

3.2.3.4 Members' Contribution not in line with the requirement of CSWS By laws

While reviewing the monthly contribution deduction at source, it was found two officials' contribution deducted at source were Nu.100 each, although they fall under Professional and Management Category (PMC). As per the Bylaws of CSWS, monthly contribution deduction should be Nu 200 per month for those members in PMC. Such an error could have occurred due to improper verification of position level of members and timely update in the relevant IT system. If such trend continues, problem may arise at the time of claim and refund.

Recommendation:

The Internal Audit Unit shared the details of affected members and recommended the dealing official to verify and correct the error.

3.2.3.5 Primary Nominee in CSWS System not updated

Updating Primary Nominee is crucial for members to claim the benefits of the scheme in case of their demise. As per the CSWS by-law, Members must nominate and indicate a primary nominee among the dependents or else dependent in serial number 1 is the primary nominee by default. During the review of the CSWS system, it was noticed that primary nominee of most members were not updated in CSIS.

Recommendation:

The IAU Recommend the concerned sector to review & update the primary nomination in CSWS System. Additionally, the HR Section was also advised to send a notification to all the employees in the dzongkhag asking them to declare primary nominees to avoid future complications.

3.2.3.6 Deduction from Non CSWS members

During the course of reviewing CSWS, it was observed that CSWS contributions from 4 officials were deducted although they were not registered members of CSWS. The CSWS bylaws, clearly states that only registered members are required to make their monthly contributions. This error incurred due to lack of proper verification/coordination between concerned sectors. Such practice will lead to future complication to individual as well as accounts section.

Recommendation

The IAU shared the list of non-members from whom CSWS contributions were deducted at source and recommended the concerned sector to review, update and refund the amount deducted.

3.2.4 Dzongkhag Administration, Pema Gathsel

3.2.4.1 CSWS contribution deducted from non members

Clause 7.11 of the CSWS By-Law 2015, states that “Expatriates and contract civil servants shall not be eligible for membership.” However, on close scrutiny of contribution deductions, it was observed that monthly CSWS contribution of Nu.100 per head from two contract teachers under Nganglam Dungkhag was deducted at source for 17 months (November, 2015 till March, 2017).

Additionally, CSWS contributions were also deducted from 4 employees of Dzongkhag election office. Enrolment of members to the scheme in accordance with clause 7.1 of the CSWS By-Law 2015 is that one should be regular Bhutanese civil servants. In the present case, since officials of election office are not regular civil servants, their enrolment to the scheme is not permissible.

Recommendation:

The internal audit unit furnished the details of affected employees with the management and recommended the management to review the employment status of each employee before considering CSWS deductions. Further, the IAU also urged the management to refund the amount deducted from non-members of the scheme.



3.2.4.2 Inconsistent record of primary nominee in CSIS

As per clause 7, sub-clause 7.6 of CSWS By-Law, 2015, it states that “scheme shall cover member’s direct dependents. Members must nominate and indicate a primary nominee among the dependents. Nomination of dependents and any update should be done using form 3.3”. However, upon review of the Civil Service Information System (CSIS), it was observed that some members’ primary nominees were left un updated. Similarly, information on contact numbers and Email IDs were also found missing.

Recommendation:

The IAU recommended the HR section to get confirmation from its members through issuance of notification and get the details of primary nominees, Email IDs and contact numbers updated in the CSIS.

3.2.4.3 Monthly CSWS Contributions overlooked for a member

As per clause 9, sub-clause 9.1 of CSWS By-Law 2015, it states that “funds for the CSWS shall be generated through monthly contribution from all its members”. Upon verification of the monthly contributions, it was noticed that contribution from one official in Land Record Section of the Dzongkhag was not deducted at source from July, 2016 till September, 2017.

Recommendation:

The IAU furnished the details of member whose contribution was in error and recommended the management to recover the amounts due. Further, the internal audit unit also recommended the Dzongkhag Accounts Section to obtain the CSWS member list from HR section and incorporate new membership deduction accordingly.

3.2.4.4 Monthly CSWS deduction not affected as per position category

Upon verification of individual pay slips, it was observed that the Administration has deducted Nu. 200.00 per month for four consecutive months from an employee whose position category was in Supervisory and Support (SS). Furthermore, the employee’s monthly contribution was not deducted for previous 11 months.

As per Provision 9.7 of the CSWS By-Law, members in SS category are required to make Nu.100 per month as member contribution to the scheme.

Recommendation:

The IAU recommended the administration to consider recovering 11 months’ monthly contributions from the employee in arrear after adjusting the double contributions for 4 months.

3.2.4.5 Dependent list not updated for registered CSWS members

As per clause 7.6 of CSWS By-Law, 2015, it states that “scheme shall cover member’s direct dependents. Members must nominate and indicate a primary nominee among the dependents. Nomination of dependents and any update should be done using form 3.3”. However, on close scrutiny of the Civil Service Information System (CSIS) it was observed that there were quite a number of registered CSWS members whose list of dependents were not yet updated.

Recommendation:

The Dzongkhag Administration, is recommended to obtain the list of dependents and accordingly update their dependents in CSIS. If left unattended, this shall only become administrative burden in the future besides leading to legal issues during the claim process.

3.2.4.6 Maximum Coverage of CSWS Membership in Pema Gatshel Dzongkhag

One of the prime objectives of RCSC’s initiative to introduce CSWS is to provide financial assistance to the civil servants and their direct dependents in times of need. Keeping this objective in line, the Dzongkhag Administration, Pema Gatshel has managed to enroll the employees under Pema Gatshel Dzongkhag into the CSWS membership. During the Internal Audit of CSWS, the unit did not come across one single regular civil servant who was not a member of the scheme. Hence, the IAU applauded the Dzongkhag Administration for its continued support in fulfilling the scheme’s objectives.

3.2.4.7 Effective CSWS Claim Process Mechanism Instituted

The Internal Audit Unit acknowledged the Dzongkhag Administration, for instituting a swift and effective claim process mechanism within the Dzongkhag. Such a mechanism benefitted aggrieved civil servants of Dzongkhag immensely as the claims were disbursed instantly.

3.2.5 Dzongkhag Administration, Punakha

3.2.5.1 Deductions made from non-member

Punakha dzongkhag administration started the CSWS contribution deductions since the launch of the scheme in November 2015. However, during the course of internal auditing, the internal audit unit had observed CSWS contributions deducted at source from non-registered employees to the scheme as well.



Recommendations:

The internal audit recommended the relevant office to confirm the membership of the employees before deduction of contribution and to reimburse the amounts already deducted from non-member.

3.2.5.2 Deductions made from contract employee.

As per the clause 7.1 of the CSWS by-law 2015, membership to the scheme is for regular Bhutanese civil servants; and further section 7.11 states that the expatriates and contract civil servants shall not be eligible for membership. However, during the cross verification, the internal audit unit found that the deductions were being made from the two contract employees of the Land Record Section from the month of November and December respectively.

Recommendations:

The internal audit shared the list of affected employees and recommended the dealing official to deduct contribution from only registered members. Further the administration was recommended to reimburse the amount already deducted from non-members of the scheme.

3.2.5.3 CSWS deductions being sent to Education Staff Welfare Scheme (ESWS) account instead of CSWS account.

While cross checking the contribution deducted at source viz-a viz its deposits, it was noticed that CSWS contribution of an employee in the Dzongkhag was deposited to Education Welfare Scheme (ESWS) instead of CSWS account from September 2017 till the date of audit.

Recommendations:

The internal audit unit recommended the accounts section to correct the error in the system and redeposit the amount deposited so far in wrong account to the CSWS account. This would avoid unnecessary consequences during the claim process by the member in later stage.

3.2.5.4 Non- updated of list of dependents for registered CSWS member.

As per Section 7.6 of the CSWS by-law 2015, the scheme shall cover members' dependents. Nomination of dependents and any update should be done using form 3.3. However on cross verification of information in CSIS system with that of monthly deductions schedule, 15 members of scheme from the Dzongkhag had their dependents list not updated in the CSIS.

Recommendations:

The Internal Unit furnished the list of those members whose dependent list were not updated in CSIS to the HR section and recommended them to update the same accordingly.

3.2.5.5 Primary nominee not updated in CSIS.

As per the CSWS by-law 2015, a member must nominate a primary nominee from his/her list of dependent to make the admissible claim in the event of member's demise. However, upon review of the Civil Service Information System (CSIS), it was observed that identification of primary nominee among the dependents in CSIS is not updated.

Recommendations:

The IAU recommended the HR section to issue a notification calling all the members to confirm the list of dependents and update the primary nominee in the CSIS system.

3.2.5.6 Membership for registered member not updated in CSIS.

The internal audit unit on cross verification of member's information in CSIS with that of CSWS deduction schedule sent to RICBL observed that members' record of 16 employees in the dzongkhag were not updated in CSIS system. Although monthly contribution to the scheme was deducted at source, their membership status in CSIS was reflected as non-member. On further scrutiny, it was observed that their initial registration forms were sent to RCSC but the update in CSIS was not affected.

Recommendations:

The internal audit unit furnished the list of such members to the management and recommended updating the same in CSIS.

3.2.5.7 Double deductions made at source

On cross verification of information in CSWS schedule sent to RICBL with that of PEMS, a double deduction pertaining to an employee from the month of November 2016 to August 2016 was noticed.

Recommendations:

The internal audit unit recommended the dealing official to reimburse the equivalent excess amount deducted from the member or to adjust the same in the subsequent months.



3.2.5.8 Irregular deductions made for employee bearing same name.

On cross verification of CSWS schedule sent to RICBL with that of pay slip, internal audit observed irregular deductions made from two employees whose names were same. While one employees deduction was made in excess by Nu.2000 the others contribution was short by same amount. However, no adjustments were affected as at the time of audit.

Recommendations:

The internal audit unit shared the list of affected employees and recommended the Finance Section to reimburse the amount deducted in excess from a member and recover the shortage in arrear in the subsequent month from the other.

3.2.5.9 Registered as a member in CSIS but contribution to the scheme deducted at source

While comparing the information contained in remittance schedule sent to RICBL, CSIS and payroll in PEMS, an employee although registered as member in CSIS, had no contribution deducted at source. If the employee decides to be a member, his contribution in arrear till the month of February 2018 amounts to Nu.2700.

Recommendations:

The IAU shared the detail with the Finance and HR Section and recommended discussing the issue with the concerned employee to agree on deducting the arrear contribution from his salary in the subsequent month.

3.2.6 Dzongkhag Administration, Samdrupjongkhar

3.2.6.1 CSWS files not transferred along with the personal file of transferred employee

The internal auditor observed that the CSWS files were not transferred with individual files of employees transferred from the Dzongkhag. The procedural lapses would lead to future consequences when the members in question make claims of benefit from the scheme.

Recommendations:

The internal audit unit recommended the HR section to verify and transfer all the CSWS files with the transferred list (both for relieved and relieving employees) to correct the procedural lapses which may lead to unnecessary complications to the individuals during payout process.

3.2.6.2 Non submission of monthly claims reports with the RCSC

As per the By-Law 2015, section 10.9, the HR Officer shall submit monthly reports of the claims to the RCSC through the respective HR committees. However, on enquiry with the HR official, the IAU was made to understand that claim reports were submitted as and when claims were processed. There was no practice of sending consolidated report to the RCSC on monthly basis. The compliance issue was attributed to difficulty of tallying the member list with the remittance list due lack of proper records.

Recommendations:

The IAU recommended the HR Officer to immediately update the member list with the monthly deduction schedule of the finance section and submit the monthly reports to the RCSC.

3.2.6.3 Primary nominee not updated in the system

Section 7.6 of the CSWS by-Law 2015, provides that the scheme shall cover member's direct dependants. To avail such a benefit, members must nominate and indicate a primary nominee among the dependants. Nomination of dependants and any update should be done using form 3.3. While verifying this information in CSIS, some members have not confirmed the primary nominee which may lead to complications during the claim. Moreover, information on email id and contact numbers although mentioned in the form 3.3 have not been duly updated in the CSIS.

Recommendations:

The internal audit unit recommended the HR section to re-notify the individuals to update the primary nominee, email address and contact number in the CSIS. The HR section was also recommended to document such notification as a proof of action taken for future reference.

3.2.6.4 Contribution to the scheme not deducted at all from an employee in Education Sector (Nu.4,800)

The auditor during the course of review detected that the monthly deductions of an employee from the education sector was not deducted since the start of scheme in November 2015 till October 2017 despite submission of all required documents by the member. This indicated that HR section did not update the member status in CSIS and intimate the same to the Finance Section to deducted monthly contribution at source



Recommendations:

The Internal Audit Unit recommended the Finance Section to recover Nu.4,800 from the concerned employee and remit the same in CSWS account maintained with RICBL.

Further, the Finance and HR section were also recommended to institute a mechanism to reconcile the members list before monthly contribution are deducted at source to avoid such lapses in future.

3.2.7 Dzongkhag Administration, Trashigang

3.2.7.1 Non deduction from the CSWS members

Through the review of CSWS forms, Civil Service Information System and the CSWS schedule, it was noted that the members have not made their contributions as per the Clause 9.3 which states that “The deduction shall start from the salary of the month of November, 2015. For fresh recruits joining as regular civil servants, the deduction shall start at the end of the month as per clause 7.4”. It was also noted that a sum of Nu. 54,500 (Fifty Four Thousand Five Hundred) only was not deducted from the CSWS member. Such practice indicated weak controls in the operation of CSWS.

Recommendation:

The Internal Audit unit recommended the management to:

- i. *Ensure that concerned accountant deduct the amount as an arrear in accordance with clause 9.5 of the CSWS By-Law 2015 which states that “If a member fails to make the contribution on time, she/he must pay the due contribution amount as arrears in the following month”.*
- ii. *Comply with the CSWS BY- Law 2015 and its amendments thereof to ensure better controls in operation and management of CSWS*

Management Response

As pointed out, the lapses have been occurred due to communication gap between Human Resource Section and Accounts Section. The Accounts Section will work in collaboration with HR section and do the necessary deduction from the concerned individual as an arrear.

3.2.7.2 Inadmissible deduction from Non CSWS member

The CSWS By-Law 2015 clause 7.1 states that “Membership is for regular Bhutanese civil servants and the clause 7.11 states that “Expatriates and contract civil servants shall not be eligible for the membership”. Notwithstanding to the aforementioned clauses, review of the documents noticed that a sum Nu. 27000 (Twenty Seven Thousand) was deducted from contract employees.

Recommendation:

The Internal Audit Unit provided the list of non CSWS members and recommended the management to:

- i. Reimburse the amount already deducted and at the same time to stop the deduction from non CSWS member.*
- ii. Ensure all concerned comply with the CSWS BY- Law 2015 and its amendments thereof to avoid such lapses hereafter.*

Management Response

The Accounts Section will work in collaboration with HR section and do follow up with Royal Civil Service Commission and accordingly reimburse the contributions deducted from non members.

3.2.7.3 Membership status not updated in Civil Service Information System

Through the review of documents, it was noted that some of the employees have not updated their membership in the CSIS but paid their monthly contribution since inception of the scheme till the date of review. Also, it was noted that except for one employee the others members of CSWS in the Dzongkhag did not submitted their membership form till the date of review.

Recommendation

The Internal Audit shared the list and recommended the management to ensure that HR section update the membership details in CSIS.

Management response

As far as HR section is concerned, the officials from RCSC visited the Dzongkhag Administration and completely updated the CSWS member in the CSIS. Still, as pointed out, there are few individuals whose membership is not updated as of date. In this regard, the HR Section will follow up with the RCSC and do the necessary correction.



3.2.7.4 Non/incomplete update of dependent details in CSIS

The review of CSWS forms and Civil Service Information System against staff lists of the different sectors revealed that there exist Non/Incomplete updates of the dependent details of the members in the system. The CSWS By-Law 2015 clause 7.6 states that “the scheme shall cover member’s direct dependants. Members must nominate and indicate a primary nominee among the dependents. Nomination of dependents and any update should be done using Form 3.3”.

Recommendation

The Internal Audit recommended the management to ensure that the HR section updates the dependent details of members (list provided to the management) in the system as per provision of the CSWS By-Law 2015 thereby ensuring better control system.

Management Response

The HR Section couldn’t update the membership details due to non submission of the required documents and non availability of the scanner facility. The HR Section is working on updating the dependent details and will ensure to complete the same at the earliest possible.

3.2.7.5 No membership forms

While comparing the CSWS forms against the staff lists of the different sectors, it was noted that some CSWS forms missing. It was also noted that some of the members’ forms were left in the CSWS file even after their transfer from the Dzongkhag. Retaining those forms with the Dzongkhag would pose difficulty in verifying the membership status of the transferred member in new place of posting.

Recommendation:

The Internal Audit furnished the list of such members and recommended the management to:

- i. Ensure that HR section collects the individual membership forms and update their details including dependant and primary nominee in CSIS as submitted by the member.*
- ii. Ensure that the HR section files the membership forms in personal file rather than maintaining it in a separate file for ease of tracking records in future.*

Management Response

Due to the infant stage of the CSWS and change in the directives from the RCSC, the HR Section admitted that there were lapses in the system. The HR Section would ensure to comply with the recommendations.

3.2.7.6 Non cancellation of membership from CSIS

During the review of CSWS documents, it was noticed that two employees of Udzornong Central School have neither submitted membership form nor opt out form as required by the CSWS by law. On enquiry with the concerned employees, the IAU was made to understand that those employees did not want to become a member of the scheme. However, their membership remains active in the CSIS, but contribution to the scheme was not deducted till date.

Recommendation

The Internal Audit recommended the HR section to comply with CSWS By-Law 2015 and its amendments to ensure better control system.

Management Response

Such lapses has occurred due to non submission of membership opt out form by the concerned individual. The HR Section will discuss with concerned individual and accordingly follow up with the RCSC.

3.2.8 Dzongkhag Administration, Tsirang

3.2.8.1 Lack of CSWS registration forms and Nomination forms

On reviewing the CSWS documents, Internal Audit Unit observed that few registration, nomination and opt out forms were missing from the members’ personal file. However, the deduction schedule reveled that monthly contribution to the scheme was deducted at source as they were active member in the CSIS. A detail list of members in all sectors under the Dzongkhag showing missing documents, their membership status in CSIS and status of contribution deducted at source was furnished to the management for further review and necessary action.

The above irregularity transpired due to transfer of staffs from other agencies to Tsirang Dzongkhag wherein the respective agencies failed to send the necessary documents along with the service book.



Recommendation:

The Internal Audit Unit recommended the HR section to follow up with those employees and remind them resubmit the respective forms. Although the membership can be traced from the CSIS, the hard copy forms will be the basis to update information CSIS.

Management Response:

To this effect, Human Resource Section agreed to notify the concern on the missing forms and accordingly maintain documents as prescribed in the CSWS By-law 2015.

Management Action Plan:

Human Resource agreed to collect the missing forms and maintain up to date information within three months after the issue of the final report.

3.2.8.2 Non deduction from the CSWS Registered members

While reviewing the deduction schedule, membership forms and subsequent crosscheck in the system, 34 members working in schools under the dzongkhag did not have their monthly contribution to the scheme deducted at source. Similarly, 33 members working in Dzongkhag administration did not contribute to the scheme through regular deductions at source.

Recommendation:

As the members already fulfilled all required formalities, the IAU shared the list of employees with contribution due and recommended the Finance Section to deduct their contribution as arrear in the subsequent months as provide under clause 9.5 of the CSWS By-Law.

Management Response:

The Finance Section agreed that there were irregular deductions as pointed by the Internal Audit Unit. However, since the payroll system does not auto calculate the CSWS contribution as in case of PF, GIS and HC, some deductions could have been left out.

Management Action Plan:

The Finance Section agreed to work on non deduction of contribution to the scheme from some employees and update the same in subsequent months. The HR section would issue an office order on the scheme to avoid the confusion on the membership.

3.2.8.3 Primary Nominee of member not updated in the CSIS

As per the Civil Servants' Welfare Scheme By law, clause 7.6, members must nominate and indicate a primary nominee among the dependents. On scrutiny of CSWS documents and information in CSIS, it was noted that most of the employees did not indicate the primary nominee. Declaration of primary nominee is must for all members. For members who do not have a direct dependent, they can nominate a person as a representative to receive the admissible grant upon the member's demise.

Recommendation:

Internal Audit Unit recommended HR section to once again notify all member of the scheme to update their primary nominee in the CSIS System.

Management Response:

Human Resource Section clarified that despite their notification on the requirement to all members, many failed to comply.

Management Action Plan:

Human Resource Section will notify all members of the scheme in the Dzongkhag again to update the information as required by the provisions of the CSWS By-Law.

3.2.8.4 Non Submission of supporting documents

During the review, it was observed 14 employees did not submit necessary supporting documents such copy of citizenship identity card, marriage certificate, birth certificate as required by the provisions of CSWS By-Law, 2015. Furthermore, information in the membership form such as name of the direct dependents was not captured. In some cases, individuals apart from their direct dependents were nominated as direct dependants. As per the provisions of CSWS by-law 2015, one can nominate other dependent only if he/she don't have direct dependent to receive the admissible grant. Details of employees who did not submit aforementioned information was shared with the management for necessary action.

Recommendation:

The IAU recommended the HR Section to look into the matter and ensure that all the forms are dully filled and the required documents are attached as required by the law.

**Management Response:**

The HR Section thoroughly briefs any employee who report to HR section after their appointment. Despite disseminating the required information, some employees failed to submit the required documents and some even declared the dependents that are inadmissible as per the provisions of CSWS By-Law.

Management Action Plan

Apropos to the observation, Human Resource Section will notify those who have not submitted the supporting documents and maintain up to date requirement as prescribed under the By-Law 2015.

3.2.8.5 Contributions of members not updated regularly in CSIS.

Although one can check the details of contribution and membership individually by logging in CSIS, information on contributions paid by the member is not updated in the system. While discussing the issue with the HR Section, IAU was informed that dealing officials in the RCSC updates such information in the system.

Similarly, the RICBL branch offices also do not have access to CSWS account. Information in RICBL is also updated at its head office in Thimphu. Therefore, the IAU was not in a position to reconcile the contributions of members between two systems (RICBL account and CSIS).

Recommendation:

The IAU recommended the RCSC to update the total contribution in the CSIS, which would solve the problem of non deduction for particular month thereby resolving issues of contribution due when a member process benefits of the scheme.

Management Response:

The HR section of the respective agencies does not handle information update in CSIS concerning member's monthly contributions. Such information is handled by wellbeing division at the RCSC.

Management Action Plan:

The HR section will intimate the observation of to the Internal Audit Unit to the RCSC.

3.2.9 Dzongkhag Administration, Wangdue Phodrang

3.2.9.1 Inadequate internal control system on CSWS

The HR section should record and confirm the list of CSWS members by scrutinizing the forms submitted by the staffs as required by Clause 7 of the CSWS By-Law 2015. The details of membership with the list of direct dependents and non-respondent members should be updated in the Civil Service Information System (CSIS) and registered as CSWS member and non-member. Copies of form 3.1 and 3.6 should be retained in the service book of individual employee. The confirmed list of CSWS members should be submitted to the Finance Section to update in the Public Expenditure Management System (PEMS) for monthly deduction as per the position level of the members.

During the review on the process of CSWS in the dzongkhag administration, it was observed that the list of members obtained from HR Section and Finance Section did not tally. Finance Section showed 929 members with deductions including the employees on transfer in and out, and HR record from CSIS showed 670 members including the transfer effective from 1st July 2017. The initial list of members submitted by HR Section to Finance Section could not be traced indicating weak internal control system. If actual list of members is submitted and updated in PEMS, the list of members should not be inconsistent. HR Section should update any new members in the system and with Finance Section. The staffs on transfers will be updated as per the status in Last Pay Certificate (LPC) by the Finance Section. There was lack of adequate information and proper collaboration between the two units.

Inadequate internal control system leads to huge anomalies in membership and their deductions. The control systems are not adequate and active management attention is required as an extreme priority.

The anomalies in the list of members and their deduction of CSWS contribution was due to failure from HR Section to maintain the list of actual members and update with the Finance Section.

Recommendation:

The Internal Audit Unit recommended the HR Section to:

- i. *Confirm the list of actual members and non-members by verifying the form 3.1 and 3.6 and cross check the same with the information CSIS.*
- ii. *Maintain the list of CSWS members in order of the section/unit and the confirmed list of members should be updated with the Finance Section in PEMS. The list of*



- members in section/unit wise as in the PEMS would help synchronize the reporting on the status of member's contribution and thrash out inconsistencies.
- iii. Must inform all the CSWS members in writing to verify their membership and contribution to CSWS in the CSIS and ask to report for any discrepancy.
 - iv. The Finance Section should prudently update the CSWS members who are transferred in the dzongkhag administration as per the status of CSWS member reflected in the LPC and avoid deduction from non-members.

Management Response:

The internal control system has been weak due to lack of information and coordination between HR Section and the Finance Section. The recommendations by the internal auditor from serial no. (i to iv) are commendable for immediate action. The HR Section will promptly adhere to the recommendations and correct the system as a priority.

Management Action Plan:

HR Section to adequately carry out the recommendations within 28th February 2018 and update the actual membership of CSWS and update with the Finance Section in the PEMS and all records should be intact.

3.2.9.2 Anomalies in contribution as per the requirement of CSWS By-Law 2015

The CSWS fund is generated through monthly contribution from all its members. The contribution shall be deducted at source from the salary of the member by the Finance Section and deposited into the account maintained with RICBL. Deduction of contribution at source shall be effective from the month of November 2015. The monthly contribution should reach the designated account within the 10th day of the following month. Contribution from members shall be made in the following categories:

Position Level	Contribution (Nu.)
Executive & Specialists	300
Professional & Management	200
Supervisory & Support	100
Operational	75

It was observed during the review that although the contribution was deducted as per the requirement of the CSWS By-Law, deductions from non-members are huge. The list of CSWS members obtained from the Finance Section and the list provided by the HR Section from the CSIS did not tally. List from the Finance Section showed a total of 929 staff's deductions made including the staffs transferred out as of 30th June 2017, whereas the member list from HR showed 670 as of 14th December 2017. While assessing the monthly deductions from the Finance Section, it was found that a total of 223 staffs including the staffs on transfer and staffs resigned are not currently reflected in the CSWS member list but deductions are made. The monthly deductions are not consistent and 58 CSWS member's deductions are overlooked and not accounted. These 58 members are mostly new appointments after November 2015 and they are member to CSWS by default. While assessing the staffs transferred in and out, HR Section did not maintain the up-to-date record of the transfers and it was difficult to ascertain the CSWS member status of the staffs. HR Section also did not have the complete list of CSWS members; hence anomalies in deductions occurred due to inadequate information to Finance Section. Wrong details of members such as EID and ID number were found in PEMS. Deductions of CSWS contribution from member on EOL and study leave are not accounted.

The anomalies have impacted the deductions from non-members with financial burden. The benefit for claim during the bereavement would not be admissible for the non-members even though their deductions to CSWS have been accounted. The control systems are not adequate and active management attention is required as an extreme priority.

Lack of adequate internal control system entailed huge anomalies in the contribution by non-members. Processing for refund of deductions made from non-members will impact the management with huge administrative burden. Non confirmation of actual registered members, non -update of transfers and resignations and new appointment of staffs by the Finance Section and the HR Section aggravated the anomalies.

Recommendation:

1. *The HR Section must compile and update the actual registered CSWS members, non-respondents, staffs transferred in with the status of CSWS and effective date of transfer, staffs on long-term leave with effective date, and new appointments with effective date of appointment. The updated list of CSWS members should be submitted to Finance Section for update in the Payroll system (PEMS) for deductions. HR Section should retain a permanent list of CSWS members by updating the list from time to time.*



2. *The list of staffs (transferred out, voluntary resignation and superannuated) with the status of CSWS membership, with effect from 31st December 2015 to 30th June 2017 should be compiled and updated. If they are member to CSWS, cross check whether the deductions are accounted in the monthly deductions schedule, and similarly, non-members contribution should be cross checked with the deduction schedule, if deducted, refund of the same should be processed.*
3. *Contributions by non-members are inadmissible for benefit under CSWS. Hence, all such deductions made from non-members are subject to refund. Decisions on whether to refund the contribution made by non members so far or enroll them as members should come from RCSC. The management has options to either request the RCSC for membership or process for refund.*
4. *The HR Section should provide the details of new appointments and CSWS member since 11th November 2015 whose contributions are not accounted in the CSWS to the Finance Section. The Finance Section should deduct the earlier non-deducted contribution with effect from the date of membership in the manner convenient.*
5. *The member staffs on EOL/study leave should be informed through a convenient mode of communication to deposit the contribution for the period of their EOL in cash before their membership become void.*
6. *The HR Section and the Finance Section should work in collaboration and bring about a systematic control system in the administration of CSWS.*

Management Response:

The HR Section will update all the records as recommended by the internal auditor. Those non-members' deduction accounted in the CSWS fund will be discussed with the RCSC in writing to regularize the membership of those contributing non-members and actions will be taken as per the instructions from the RCSC. HR Section will confirm the members whose deductions are not accounted to CSWS and inform Finance Section to deduct the monthly contributions due as of date and update their membership.

Management Action:

HR Section to update all records and write to RCSC on non-members contribution and implement all recommendations by the internal auditor with 28th February 2018.

3.2.9.3 Inadequate CSWS Claim process as per the requirement of CSWS' By-Law 2015

The payment of admissible grant will become payable only upon credit of the first remittance to the designated account and payment shall be made against a death instance irrespective of the number of contributing members. The scheme has a defined benefit and all members shall be equal beneficiary of the scheme irrespective of the contribution. The claimant must submit a duly filled form 3.5 to HR Officer along with the death certificate or a statement from the Gup certifying the death. HR officer verifies the claim involving Civil Registration & Census Section and Gewog Administration if required and forwards the claim to RCSC for approval. RCSC makes final approval and notify RICBL and the Agency concerned. RICBL makes the payment by depositing the admissible grant amount in the claimant's bank account. Admissible grant amount shall be released within five working days from the date of receipt of the claim form by HR Officer of the agency. HR Section should keep record of the claims made by members with all relevant supporting documents.

During the audit, it was observed that as on the date of review, 22 payouts had been made for death instances of member's dependents. The claim processes for the death instances are adequately processed as required by the CSWS By-Law 2015. However, duly filled claim forms and supporting documents of 3 claimants were missing from the record.

A member has claimed grants for death of two dependents amounting Nu.70,000. But documentary record with the HR Section exhibited claim for one death instance of a dependent only.

Further, as per the list provided by the HR Section, there were 34 staffs on voluntary resignation as on the date of review. However, no reimbursement forms claiming the admissible reimbursement was documented.

The missing documents indicated false claim although the claim process has adequate internal control. Such false claim is construed as violation of the Civil Service Code of Conduct and result in commensurate administrative action in line with BCSR, including refund of double the inadmissible claim made. Not reimbursing 75% of the accumulated contribution to members on voluntary resignation impacted the reputation of the fair and effective administration of CSWS. The control systems are not adequate and active management attention is required as a high priority.



Missing records and documents portrayed weak control system in the HR Section. HR Section is well aware of the staffs resigning from the service before the actual service term in civil service but failed to advise the resigning staffs to complete the required obligations and claims by the staffs.

Recommendation:

1. *HR Section must re-look for the missing documents for claims and authenticate admissible claims by recovering the documents. Otherwise, the claims shall be treated as fraudulent claims violating the provisions of the CSWS By-Law 2015. Duly filled claim form along with the required supporting documents of the individual claimants must be properly scrutinized and filed intact.*
2. *HR Section should reconfirmed the list of staffs on voluntary resignation, verify their membership in CSWS and notify them to process for reimbursement of 75% of the accumulated contribution. All civil servants who are CSWS members under Dzongkhag Administration should be immediately notified in writing on the reimbursement of 75% of the accumulated contribution upon Voluntary Resignation, Early Retirement Scheme & Delinking of the Agency from the Civil Service.*

Management Response:

The HR Section will retrieve the missing claim documents and reconfirm the claims processed by 3 claimants. HR Section will verify the status of CSWS membership of those staffs resigned on 'Voluntary Resignation' and notify the non-claimants of 75% of the accumulated contribution to immediately process their claims. The need for 75% of claim by staffs on; Voluntary Resignation, Early Retirement Scheme & Delinking of Agency from Civil Service will be henceforth incorporated in the relieving order as an obligatory checklist.

Management Action:

HR Section to implement the recommendations within 28th February 2018.

3.2.10 Dzongkhag Administration, Zhemgang

3.2.10.1 Non-deduction of CSWS contribution

On reviewing the forms and schedule sent to RICBL, it was found out that membership contributions to CSWS was not deducted from members for various months. [As per clause 9.5](#) of CSWS By-Law, If a member fails to make the contribution on time, she/he must pay the due contribution amount as arrears in the following month. In the present case, the contribution in arrears from

members detailed in table 1 below were not recovered in subsequent months and deposited to the CSWS account which left unattended would lead to loss of fund to the scheme.

Table 1: CSWS Contributions not deducted at source.

Sl. No	Number of members	Sector	Period for which contribution was in arrear	Total amount
1	3	Civil Sector	November & December 2015	600
2	16	Health Sector	November 2015 to July 2016	18,100
3		Civil Registration & Census Sector	July 2016 to December 2017	1,800
4	6	Education Sector	Various months	2,600
5	6	Pangbang BHU I	November 2015	600

Recommendations:

The IAU shared a detailed list and recommended the concerned accountant to deduct the amount as an arrear from the following month and deposit to designated CSWS account.

Management Response:

The Non-deducted amount will be deducted as an arrear from the salary of January 2018.

Management Action:

The Amount is deducted as an arrear from the salary of January 2018.

3.2.10.2 Inadmissible deduction from Non Members (Contract Employees)

The CSWS by Law 2015, clause 7.1 states that membership is for Regular Bhutanese Civil servants but while test checking the details of employee and schedule sent to RICBL, It was found out that CSWS contribution was deducted from 3 contract employees Zhemgang Dzongkhag and 3 contract employees of Pangbang Dungkhag respectively who are not members of the scheme as shown in table 2 below:

Table 2: CSWS contributions deducted from non-members

Sl.No	Agency/Sector	No. of members	Amount
1	Zhemgang Dzongkhag	3	3,075
2	Pangbang Dungkhag	3	11,725



Recommendations:

Clause 9.9 of CSWS By-Law 2015 states that “In the event double contribution by a member, she/he will be reimbursed immediately upon notice”. In the present case, contribution was deducted from Non member. Therefore, Internal Audit Unit recommends the concerned Accountant to stop deducting his/her CSWS contribution from January 2018 and to reimburse the amount already deducted by corresponding with RICBL and RCSC in order to reduce the risk of administrative burden and fund over statement.

Management Response: The amount deducted till now will be reimbursed by corresponding with RICBL and their contribution is stopped from January 2018 Salary.

Management Action Plan: Will follow up within two months and reimburse the above mentioned amount in the respective individual account.

3.2.10.3 Dependents details not updated in the CSIS

While test checking the CSWS forms with the information in CSIS, it was found that the dependents details of the 10 employees in the dzongkhag administration and 11 employees of Pangbang Dungkhag respectively were not updated in CSIS. A detailed list of such members without dependent list updated in CSIS was furnished to the management for necessary action.

Recommendations:

The Internal Audit Unit recommended the HR Section to update the membership details as reflected in the CSWS forms so that the objective and purpose of CSIS is met and internal control system is further strengthened.

Management Response: The RCSC used to update the Dependents details in the initial stage of launching the scheme. Hence some members' dependant list could have been missed out in CSIS. If HR section can update now we will do it as soon as possible.

Management Action Plan: dependant details will be updated within two months.

3.2.10.4 Membership not updated in CSIS System.

On reviewing the CSWS forms and CSIS system it was found out a member working in Zhemgang BHU I although submitted the form but the membership was not updated in the CSIS. Similarly, a member working in Pangbang BHU I

had has membership information in CSIS not updated. If the relevant information is not updated in CSIS, it might pose difficulty to the member when a claim for benefit is submitted.

Recommendations:

The Internal Audit Unit recommends the HR Section to update his membership and dependents details in the system so that there won't be problem later during the process of claim by the individual as well as to make internal control strong at the system level.

Management Response: *Will update the membership details so that there won't be any problem later when the concerned individual claims the CSWS amount.*

Management Action Plan: *Will be updated within two months*

3.3 AUTONOMOUS AGENCIES

3.3.1 National Land Commission Secretariat

3.3.1.1 CSWS updates were not done on a regular basis

The CSWS information in CSIS was not updated on a regular basis. This may pose difficulty in comparison of information in CSIS with that of hard copies (membership and other relevant forms).

3.3.1.2 CSWS hardcopies retained with the organization on post-transfer

There were few hard copies retained with the organization even after transfer of members to another agency and that has resulted into non-deduction of CSWS of the transferred employee in his/her place of posting.

3.3.1.3 CSIS not updated on transfer, resignation and expired employees

On verification information CSIS, it was observed that the on-line system was not updated to capture details when employees were transferred, resigned and expired. This lapses were noted while comparing the hard copy documents with the human resource division with that of CSIS data.

3.3.1.4 Deposit receipt to the RICBL not found with the Human Resource Division (HRD), Finance Division and Royal Civil Service Commission (RCSC)

Every CSWS deductions made has to be remitted to the RICBL within 10th of the following month. However, on reviewing the remittances, it was found that there was no deposit receipt or any other related correspondences with the HRD, Finance Division and RCSC.



3.3.1.5 No documents for non- members and non-respondents

During the course of review, internal audit division observed that there was no documentary evidence to track on the non-members and non-respondents.

3.3.1.6 Members' acknowledgement receipt not found on post-claim of benefit

Members who resigned or expired have the option to claim reimbursement of 75% of the total accumulated contribution. However, on verification of such claims paid, no documents were made available to authenticate the claims received by the claimant.

As understood by the internal audit unit on the claim procedure in the existing system, the management forwards the correspondence to the RCSC and subsequently the claimant receives the message from the RICBL. However, the IAU noticed an information gap between the RICBL and the organization; for the latter doesn't get updated on the receipt status by the claimant. This brought to the conclusion that the information was not forwarded to RCSC by the RICBL for an update. Further, no update was done in the CSIS.

3.3.1.7 Consequences subject to the above findings:

1. There will be difficulty in ascertaining the correct status of funds at the RCSC as the detailed deposits of the Ministries and Organizations are not submitted to the RCSC.
2. Faulty and incomplete updates of required information in CSIS which might cause difficulty to the member at the time of processing claims.

3.3.1.8 Causes to the above gaps:

1. Incomplete documentations and incomplete CSIS update.
2. Lack of human resource in the division who were continuously multi-tasked. This has lead to limited time for HR officials in updating the required information of member in CSIS.
3. Existence of disorganized human resource system.

Recommendations:

1. *The online system- CSIS needs to be modified and improved to make it user friendly.*
2. *Human Resource Division to propose for additional human resource from the RCSC and to upgrade/ regularize the contract staffs to assistant human resource. This will not only bring consistency in the human resource but also contribute in giving timely services.*

3. The online system - CSIS should be inbuilt with an archiving module for the purpose of review, monitoring, tracking of the yearly employee status and for a smooth auditing process.
4. The HR and the accounts of the organization/Ministries to forward a copy of the letter to the RCSC when remitting the CSWS to the RICBL.
5. The HR to request the RCSC and the RICBL to inform the Organization/Ministries upon the receipt of the acknowledgment of payment by the claimant in writing.

3.3.2 Thimphu Thromde

3.3.2.1 Weak documentation on CSWS of few employees

The internal auditor during the course of review observed that there was a weak documentation of few employees.

This includes non-submission of member's marriage certificate, duly filled up from 3.3, citizenship identity card of member, spouse, father and mother.

Recommendations:

The auditor recommended the Human Resource Division to intimate the concerned employees who failed to submit the documents and accordingly file it.

3.3.2.2 In-complete documentation of few employees

The documents submitted by few employees were found to be in-complete. Information such as position title and level, e-mail id and contact number were not mentioned in the forms. A legal stamp as required in the form was not affixed in form 3.3. The forms submitted by members were also not verified by the head of the agency.

Recommendations:

The Internal auditor recommended the HRD to verify every form submitted by the members and accordingly intimate the members who did not submit required supporting documents.

3.3.2.3 Declaration by few members in deviation to the By-law 2015

On reviewing the dependent list declared by the member, the IAU noted that few members' declarations were incorrect and in deviation to the CSWS By-law 2015.

Some has included grandfather and grandmother as their dependent. Some members have attached citizen details of their dependants obtained from Public



Service Delivery Initiative in place of CID copy which is not proper. Further, mismatches of information provided by members in form no 3.2 and form 3.3 was also noted.

Recommendations:

The Internal auditor recommended the HRD to sensitize members sufficiently on CSWS requirements to close the gaps noted. Additionally, the HRD was also recommended to rectify the shortfalls in consultation with the relevant officials.

4 SUMMARY OF RECOMMENDATIONS

Corrective measures suggested by internal auditors to enhance the operational efficiency of CSWS management range from stopping deductions from non-member and reimbursing the amounts deducted to instituting better internal control systems. Those mitigation measures include but not limited to devising ways for timely exchange of information within relevant offices, seeking clarification from the RCSC on ambiguous issues and conducting outreach programs to educate members on their rights and duties as members of the scheme.

The HR offices play a critical role in ensuring CSWS information is robust and accurate to ward off possibility of inaccurate membership, fund position and timely processing of claims by members when it is most needed. The following recommendations were commonly provided by all internal audit units to streamline non-compliance issues:

1. Confirm the list of actual members and non-members by verifying the form 3.1 and 3.6, and synchronize the information in CSIS to that of hardcopies forms and supporting documents.
2. Maintain the list of CSWS members in order of the respective offices and update the confirmed list of members and their contribution amounts to Finance Division/Section.
3. Inform all the CSWS members within their respective jurisdiction in writing to verify their membership and contribution to CSWS in the CSIS and ask to report for any discrepancy.
4. Compile and update list of non-respondents, staffs transferred in with the status of CSWS and effective date of transfer, staffs on long-term leave with effective date, and new appointments with effective date of appointment. The updated list of CSWS members should be submitted to Finance Section for update in the Payroll system for timely deduction CSWS contributions. HR Section should retain a permanent list of CSWS members by updating the list from time to time. This would help finance

Division/Section to synchronize the reporting on the status of member's contribution and thrash out inconsistencies.

5. The HR offices should request the RCSC and the RICBL to inform the working agency of the member upon the receipt of the acknowledgment of payment by the claimant in writing.

The finance division/section plays another critical role in deductions of contributions at source and remitting the same with the designated financial institution in time. In addition, they are also responsible for submission of remittance schedule to both RCSC and RICBL. To address issues of related to agency level deduction, contribution paid in cash and such other anomalies observed, the following corrective measures were recommended:

1. The Finance Division/Section should prudently update the CSWS membership status in LPC when employees are transferred out of the their respective agency. When members are transferred in to their respective agencies, amounts of monthly contribution should be updated in the payroll system as reflected in the LPC to avoid deduction from non-members and non-deduction of contribution from member civil servants.
2. Copy of remittance schedule should be sent to the RCSC and RICBL before the 10th of following month to ensure reconciliation of the fund position at the RCSC.

The RCSC as the ultimate authority of the scheme is recommended to review CSWS contribution from employees with SS position. Their contribution may be deducted at par with P&M category of civil servants level based on income and position level. It is observed that CSWS by Law and contribution recovered from SS level employees is incongruent in many cases. Employee ID issued by CSIS for the different category of employment could be made distinct and unique in relation to type of employment (Regular/Contracts/Others etc) to enable accounts personnel to identify the CSWS applicable employee. This would root out cases of non-deduction from members and deduction of contribution from non-members.



5 CONCLUSION

Generally, it was concluded that existing internal control on collection and deposit of CSWS is fairly reasonable. The effectiveness of these controls, in the opinion of the Internal Audit can be further improved with proper documentations duly verified by authorized person. Notable aberrance in the process included the lack of notifying those officials on advance contribution of CSWS for the period of long term leave from the office (EOL/secondment/any other long leave). Besides proper update of system with correct information, the need of clarity in CSWS deductions in cases of “SS” position level was also seen as urgent for proper alignment with CSWS by law.

In the absence of proper identification of agency for the reconciliation processes, differences in the reconciliation were noted which has been addressed in this report.

All the above findings were duly brought to the knowledge of respective HR and account personnel of the organizations and a copy of report annexed with worksheets shared thereto. The observations raised by the audit teams were examined by respective management, and assurance was provided to correct the variances at the earliest in line with the CSWS BY-Law and policy guide provided by RCSC.



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