

Audit report reveals defects and mismanagement in public infrastructure

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A recent audit by the Royal Audit Authority (RAA) has exposed pervasive flaws in the construction sector, raising concerns about the effectiveness of the National Construction Industry Policy 2020, which was designed to ensure higher standards.

Despite its implementation, the sector continues to be marred by defective and substandard work, with 139 cases reported across 62 agencies and projects.

As of December 31, 2023, the DoIT had outstanding advances amounting to Nu 340.661 million against contractors or agencies for the fiscal years 2021-22 and 2022-23. These issues primarily stem from non-compliance with laws, regulations, and established procedures, according to the RAA's Annual Audit Report for 2023–2024.

The RAA has recommended immediate recovery or adjustment of these advances to avoid further financial discrepancies.

The audit report pointed to systemic weaknesses, including inadequate planning, poorly executed feasibility studies, faulty designs, a lack of quality control, and insufficient oversight. Contractors' failure to address issues during the defect liability period further exacerbated the problem.

"The persisting quality issues in the construction sector undermine the value for money in public investments besides other socio-economic implications," the RAA report states.

The DoIT made inadmissible payments totalling Nu 3.256 million for the construction of Quarantine Centres in Damdum, Amochu, Motanga, and Dekiling. These payments were made for 12.5mm Gypsum boards—used to cover walls or partitions—that were not installed at the site. Additionally, an excess payment of Nu 433,000 was made for mild steel railings that were misrepresented as stainless steel.

Although these amounts have been recovered and deposited into the Audit Recoveries Account, no action has been taken against the officials responsible for these lapses.

The RAA found that DoIT had accepted defective rain gutters in the construction of 500-bedded permanent quarantine centres in Damdum, Samtse. The report states the defective rain gutters compromised the aesthetic quality of the buildings. The RAA called for immediate rectifications to address these defects.

Other cases include delays in the Department of Surface Transport's (DoST) road construction project from Sherichhu to Gongrizomsa. The department failed to impose liquidated damages of Nu 115,000 on M/s Gyeltshen Consultancy, responsible for the delay in submitting the final Detailed Project Report.

Liquidated damage is an amount of money that one party pays to another if a contract is breached.

The Bhutan Construction and Transport Authority (BCTA) faced similar issues, with Nu 0.857 million in unrecovered advances paid to M/s Kensom Construction for electric vehicle (EV) charging shed constructions in Lhuentse, Mongar, Bumthang, Trongsa, and Wangdue.

The audit also found that BCTA had not finalised the actual amount to be recovered from M/s Sangay L Construction Private Limited following the termination of the contract for the construction of EV Charging Shed in Gasa, Tsirang and Dagana.

The BCTA lacked detailed records of recoveries relating to 20 percent of value of works not executed. The RAA insisted on detailed workings of the recoverable amount.

As of June 30, 2023, the BCTA reported outstanding public works advances to the tune of Nu 4.538 million against four contractors. The RAA has asked the BCTA to expedite recovery.

To address this, the RAA has recommended MoIT to evaluate and review the implementation of the National Construction Industry Policy 2020 for appropriate interventions in areas where agencies were lagging in terms of implementation.

Recommendations include prioritising quality assurance, documenting construction stages with photographic or video evidence, and using CCTV cameras to enhance monitoring at project sites.