

Army Welfare Project (AWP)

Table 1.34: Showing the audit observations by different categories.

Sl. No	Nature of observations	Amount Nu. millions	%
1	Loss due to acceptance of rectified spirit below specifications.	0.17	0.83
2	Commission paid not commensurate with sales generated	0.35	1.71
3	Misappropriation	1.00	4.89
4	Receipt of contaminated rectified spirit by Gelephu Distillery	3.15	15.42
5	Procurement of drugs and chemicals without inviting quotations	1.46	7.15
6	Credit Policy: need for review	14.30	70.00
	Total	20.43	100.00

Note:

The AWP had not responded to any of the issues highlighted in this report.

Major Findings.

1. Loss due to acceptance of rectified spirit below specifications

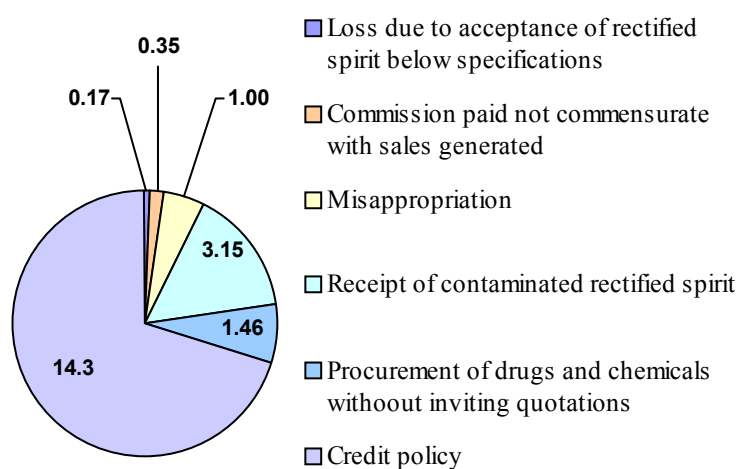
The Army Welfare Project accepted rectified spirits below specifications, which resulted in loss amounting to Nu. 0.179 million.

2 Commission paid not commensurate with sales generated.

Sale of liquor to BSF, CRPF & other Para military forces in India was being made through Mr. Pawan Kumar Dhanania on commission basis.

The commission was being paid on realizable value after adjustment of Export fee, Bottling fee & Transport charges. Besides it was being paid in advance before realization of the outstanding dues against supply of liquor. No deduction on account of breakage, leakage, a shortage if any claimed by forces were being made from the agent and was being borne by AWP.

Observations (Nu. millions)



Total amount paid during 1999 on account of commission was Nu. 0.358 million against the total sale of liquor valuing Nu. 1.759 millions, it would be seen that in view of the business valuing Nu. 1.760 millions conducted by the agent, the amount of Nu. 0.359 million paid, as commission appears to be very high and not commensurate of the work done where no investment/risk is involved of the agent.

3. Misappropriation.

Two employees of the Army Welfare project had misappropriated over Nu. 1.00 millions from the project fund. The management informed the case, as subjudice.

4. Under utilization of installed capacity.

In order to ascertain as to what extent annual capacity of the Gelephu Distillery was utilized during the last three years, an attempt, to have a comparative study, was made and it was observed that the installed capacity remained under utilized as per details given below: -

Table 1.35: Showing the comparison of installed capacity and its production

Year	Installed Capacity in cases	Production in cases	Percentage of utilization
1998	360,000	134,334	37.32%
1999	360,000	269,993	75%
2000	360,000	186,361	51.77%

From the above table, it would be seen that during the year 1999, 75% of its installed capacity was utilized whereas in the remaining years, it was comparatively less. This indicates that the performance of the unit was not up to the required/expected level.

5. Receipt of contaminated rectified spirit by Gelephu Distillery valuing Nu. 3.157 millions.

It was noted that Gelephu Distillery received 170,000 Bulk Liter of rectified spirit valuing Nu. 2.575 millions were received from Samtse Distillery. Upon physical test it was found out that almost all the quantities were found contaminated at various degrees with the petroleum products. It was also stated that, upon sensory evaluation and preliminary test conducted in the laboratory, odour/taste and PPT time did not comply with rectified spirit Grade-1.

As would be seen from above, the standard of rectified spirit was not up to the mark, the cut off percentage of impure spirit would be very high during re-distillation, which would affect the quantity and quality of ENA to be produced out of rectified spirit. Despite the deficiencies in the rectified spirit valuing Nu.1.157 million, the same were accepted and sent to re-distillation plant for production of ENA.

6. Procurement of drugs and chemicals without inviting quotations Nu. 1.496 millions.

The sample check of paid invoices, revealed that the following procurements were made based on purchase orders and single quotation without availing competitive rate from other suppliers as no comparative rates from various suppliers were produced to Audit Team.

Table 1.36: Showing the goods procured without inviting quotation

Sl. No.	Invoice No. & Date	Suppliers	Value of Materials supplied (Nu. millions)
1	FCO/017/98-99 Dt. 31.3.99	Fine Chemicals Corporation, Siliguri.	0.24
2	01 Dt. 5.499	Lux Flavours, Chennai	1.03
3	22/DKN/99 Dt. 23.4.99	DK Nath & Son, Siliguri.	0.078
4	NI/005/99-2000 Dt. 27.4.99	Nisha International, Siliguri	0.142
Total			1.49

1. Non Settlement of Joint Venture's CBBU Assets.

M/s AWP Card Board Box Unit, Samtse a joint venture undertaking of M/s AWP and M/s BFPL with 50% share each and engaged in manufacture of card board boxes for packing and packaging purposes was set up during 1983 and a deed of agreement was drawn on 1st Day of November, 1983.

The joint venture was dissolved by AWP vide letter dt. 9.12.1996. Five years have elapsed, neither the assets of the unit have been divided nor disposed off to settle the issue and the matter is being prolonged indefinitely on one pretext or the other.

2. Credit Policy: a need for review.

Amounts aggregating to Nu. 14.306 millions have been lying unadjusted against the parties who procured liquor on credit from Bonded Warehouse, Thimphu and Phuentsholing, Samtse, Gelephu and S/Jongkhar Distilleries.

Some of the amounts pertained to late 1980s and early 1990s. The management need to review the credit policy of the AWP and the provision for bad and doubtful debts.