

## Druk Seed Corporation.

Besides the statutory audit conducted by Chartered Accountant Firms from India, the Royal Audit Authority also conduct regulatory audit. This includes corporate bodies where government has major interests and Druk Seed Corporation (DSC) is one of them. The following personnel occupied the various portfolios of the corporation in the year 2002.

Sl. No	Name of Office bearers	Designation
1.	Lyonpo Kinzang Dorji	Chairman
2.	Jambay Dorji	Managing Director
3.	K.S.Nagrajan	Finance Manager

Summary of major findings is given in the table 1.37 below:

*Table 1.37 showing summary of the observation by category code and the amount involved.*

Sl.No.	Observation in Brief	Amount (Nu.Million)	%	Category code
1.	Outstanding Sundry Debtors.	10.61	62.45	<b>2</b>
2.	An alarming production expenses than output generated.	6.02	35.43	<b>18</b>
3.	Acceptance of poor quality seeds.	0.20	1.18	<b>10</b>
4.	Irregular/inadmissible payment.	0.08	0.47	<b>8</b>
5.	Non-deduction of taxes.	0.05	0.29	<b>15</b>
6.	Non-accountal/Short accountal.	0.03	0.18	<b>18</b>
	<b>Total</b>	<b>16.99</b>	<b>100</b>	

### Major Findings.

#### 1. Huge outstanding sundry debtors Nu.10.61 million.

Amount aggregating to Nu.10.61 million as at 31<sup>st</sup> March 2002 were lying outstanding against various parties on account of sale of seeds, fertilisers etc as summarised in the table 1.38:

*Table 1.38 showing debtors that did not clear their dues.*

Sl. No.	Particulars	Debit balance
1.	Dzongkhags.	1.98
2.	Commission Agents.	1.87
3.	Retailers.	0.05
4.	Registered Seed Growers.	1.84
5.	Export.	0.78
6.	Projects and Institutions.	3.16
7.	Other Debtors.	0.24
8.	GTZ R/Fund RSG/CA.	0.18
9.	Other advances.	0.11
10.	Commission agent (old).	0.06
11.	Others (old).	0.12
12.	Projects & Inst. (Old).	0.22
	<b>Total</b>	<b>10.61</b>

The ministry's instruction not to extend credit facilities without approval was not complied with, which had resulted in accumulation of huge outstanding as above. All overdue not collected beyond the admissible period must attract Commercial Interest to be paid by the officers responsible in the Audit Recoveries Account.

***Auditee's  
response:***

***Who is  
accountable?:***

## **2. Non-deduction of taxes Nu.0.05 million.**

Statutory requirement to deduct taxes amounting to Nu.0.05 million were not met by the management.

***Auditee's  
response:***

***Who is  
accountable?:***

## **3. Non-accountal/Short accountal Nu.0.03 million.**

Audit had noted that 151.63 cft. of timber worth Nu.0.02 million procured was not accounted for in the stock register. In the absence of stock accountal, the actual utilisation of timber could not be ascertained.

Similarly, 4 number tyres valuing Nu. 0.01 million were not accounted for.

***Auditee's  
response:***

**Who is  
accountable?:**

#### **4. Acceptance of poor quality seeds worth Nu.0.20 million.**

DSC had placed the supply order for the purchase of 4000 Kg. of Rajma Seeds to one trading company in New Delhi. Out of the whole lot of seeds received, 239 Kg amounting to Nu.0.20 million was declared as total loss owing to the reasons that the seeds were not true to its type, contained lots of foreign materials, not processed and did not contain properties of quality seeds.

Audit had found out that the payments were made even after establishing that the seeds were of poor quality.

**Auditee's  
response:**

**Who is  
accountable?:**

#### **5. Irregular/inadmissible payment Nu.0.08 million.**

The DSC of Bhutan made the following payments not admissible under rules:

- A.** Audit had observed that the residential telephone and monthly rental charges aggregating to Nu.0.04 million of some of the officials were paid from the office in contravention to circular issued by the Ministry of Finance.

**Auditee's  
response:**

**Who is  
accountable?:**

- B.** Audit had observed that Nu.0.01 million was disbursed towards Muster Roll payment without preparing Muster Roll of the labourers. In the absence of which, the number of labourers engaged and the actual work executed could not be ascertained.

***Auditee's  
response:***

***Who is  
accountable?:***

- C.** The Regional Offices of Bajo and Phubjikha had incurred an expenditure of Nu.0.03 million towards Muster Roll payment but without obtaining the thumb impression/signature of the labourers. In the absence of which, the authenticity of the payment made could not be vouched in audit.

***Auditee's  
response:***

***Who is  
accountable?:***

## **6. Operating losses at an increasing trend.**

From the audited financial statement it was found that DSC has been sustaining recurring losses at an increasing rate every year. The year 1999, 2000 and 2001 saw huge operating losses of Nu.4.70 million, Nu. 5.58 million and Nu.8.20 million respectively.

***Auditee's  
response:***

**Who is  
accountable?:**

## **7. Import expenses exceeded export income.**

From the analysis of the import expenses with that of the export income of the seeds and plants for the year ending 1998 to 2001, it revealed that the value of imports had far exceeded the value of export income as outlined in the table 1.39 below:

*Table 1.39 comparing export income to import expenses.*

<b>Year</b>	<b>Imports (Nu. Million)</b>	<b>Exports (Nu. Million)</b>
1998	12.13	4.22
1999	8.04	1.39
2000	16.57	3.59
2001	4.59	1.30
<b>Total</b>	<b>41.33</b>	<b>10.5</b>

**Auditee's  
response:**

**Who is  
accountable?:**

## **8. Production expenses exceeded output generated by Nu.6.02 million.**

The comparative analysis of production expenses and the output generated by the cost centres (Regional Farms) indicated that production expenses for the year 2001 exceeded the output generated by more than 250%. Output generated was Nu.2.41 million as against the production expenses of Nu.8.43 million.

**Auditee's  
response:**

***Who is  
accountable?:***

The RAA urges that unless a thorough review is carried and redefine the objectives and goals of the organization, it may be advisable to close the company and import seed.

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