

Forestry Development Corporation Limited.

Besides the statutory audit conducted by a Chartered Accountant Firm from India, the Royal Audit Authority also conduct regulatory audit. 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.	Namgay Wangchuk	Managing Director
3.	S.Ghosh	Finance Manager

Summary of RAA's major findings is given in the table 1.33 below:

Table 1.33 showing summary of the observation by category code and the amount involved.

Sl. No.	Observation in Brief	Amount (Nu.Million)	%	Category code
1.	Direct award of construction works.	6.31	78.39	3
2.	Misappropriation of Cash.	1.18	14.66	9
3.	Inadmissible payment.	0.23	2.86	8
4.	Shortage of materials.	0.18	2.24	18
5.	Excess payment.	0.12	1.49	6
6.	Payment of Fictitious bills.	0.02	0.25	17
7.	Non-levying of penalty/liquidated damages.	0.01	0.12	13
	Total	8.05	100	

Major findings.

1. Misappropriation of Cash Nu.1.18 million.

Finance Personnel of Forestry Development Corporation Limited (FDCL), Headquarter had in 1999 misappropriated Nu.0.45 million by manipulating figures in the cashbook. The whole amount as misappropriated has been deposited through the Court of Law on 21st November 2002.

The Assistant Accounts Officer during the year 1999/2000 had misappropriated Nu.0.73 million by fraudulently preparing disbursement vouchers and by way of booking advances as expenditure.

Auditee's response:

With respect to the second issue it was submitted that the management had given time extension to the Assistant Accounts Officer quite a number of times and eventually got deposited into FDCL Headquarter. The service of the official was compulsorily retired by the Board.

Who is accountable?: *The RAA holds the Board accountable for encouraging corrupt practices through its lenient approach.*

2. Inadmissible payment Nu.0.23 million.

A. Residential telephone bills Nu.0.16 million.

FDCL had made inadmissible payment of residential telephone bills amounting to Nu.0.16 million. Auditors had found out such payment in contravention to the corporation rules. The details of such payment are as given in the table 1.34:

Table 1.34 showing agencies that made inadmissible telephone charges.

Sl. No.	Agency	Amount (Nu.Million)
1.	M/s FDCL, Headquarter.	0.05
2.	P/ling Division.	0.02
3.	Ringpung Division.	0.02
4.	Wang Division.	0.04
5.	Engineering Division .	0.03
	Total	0.16

The board had regularized such payment and increased the limit.

Auditee's response: *The FDCL submitted that the Board had regularised the payment of residential telephone bills and approved the ceiling of reimbursement. It was also stated that the circular of the MoF is not applicable to FDCL, which has its own Service Rules and Financial Manual.*

Who is accountable?: *The payment of residential telephone bills were disallowed by the Ministry of Finance, no exceptions can be made by any authority except MoF. FDCL is advised to get it clarified from MoF whether MoF circular is applicable to FDCL.*

B. Donation to MoA-Archery team Nu.0.07 million.

FDCL, Thimphu had donated Nu.0.07 million to the Archery Team of the Ministry of Agriculture in deviation to the circular from the Ministry of Finance and without the approval of the Board of Directors.

Auditee's response: *The management submitted that the Board had regularised the payment. Further, it was stated that the MoF had fixed the ceiling at Nu.0.05 million per tournament.*

3. Non-levying of penalty/liquidated damages Nu.0.01 million.

It was observed that FDCL, Wang Division had not levied the liquidated damages amounting to Nu.0.01 million for the delay in construction of forest road under Gidakom Range.

Auditee's response: *The management of FDCL submitted that the delay was due to heavy rain and frequent breakdown of Bull Dozer and that the construction was completed within the extended time satisfactorily. The management also submitted that they have started maintaining the Hindrance Register*

Who is accountable?: *The response stating that one of the reasons for delay was due to frequent break down of Bull Dozer is not acceptable in audit, therefore, the accountability is fixed on the Divisional Manager, Wang Division.*

4. Excess payment Nu.0.12 million.

FDCL, Wang Division had paid Nu.0.03 million in excess of the actual value of work done for the construction of forest road under Gidakom Range.

The Wangdigang Forest Management Unit had paid Nu.0.09 million to the contractor in addition to the value of work done. The payment was stated to have been paid for extra works done but auditors had not found any evidence of extra work taken up.

Auditee's response: *The FDCL, Wang Division did not respond as of date.*

Wangdigang Forest Management Unit submitted that the construction of 50 metres additional road was found unavoidable due to terrain condition and that the work was awarded to the same contractor since tendering of small work was not found feasible. It was also mentioned that 40 days delay was mainly because of the major portion of the road passing through a marshy area.

Who is accountable?: *The Divisional Manager, Wang Division is held accountable for the excess payment made since no appropriate responses were furnished.*

Since the auditors have not found any evidences of having taken up extra works the response given is not tenable as such, therefore, accountability for the excess payment is fixed on the Divisional Manager, Wangdigang Forest Management Unit.

5. Shortage of materials Nu. 0.18 million.

The Mechanical Store at Paro under FDCL had shortage of spare parts worth Nu.0.18 million detected by audit during the physical verification.

Auditee's response:

The RAA was informed that a committee was formed to verify the excess and shortage of spare parts and confirmed a shortage of spares valuing Nu.0.04 million. It was also later stated that since the work of reconciliation is beyond the capacity of the FDCL, based on the management's recommendation, the Board has accorded approval for appointing a firm of Chartered Accountants to complete the task.

Who is accountable?:

The outcome should be verified by the RAA but in the mean time the confirmed shortage valuing Nu.0.04 million must be deposited into audit recoveries account. Therefore, until such time the accountability is fixed on the store keeper, Engineering Division.

6. Payment of fictitious bills Nu. 0.02 million.

The Engineering Division of FDCL while on official tour had claimed lodging bills printed from the computer. Such payment amounted to Nu.0.02 million.

Auditee's response:

The management submitted that the actual recoverable amount which was less than Nu.0.01 million, was already recovered. Further, it was stated that the concerned staffs were warned not to repeat such unhealthy practices.

7. Direct award of road construction contracts Nu.6.31 million.

FDCL, Zhongar Division had directly awarded the road construction contracts to the following contractors without observing formalities in contravention to the rules. The value of such award of work amounted to Nu.5.06 million as detailed below in the table 1.35:

Table 1.35 showing the agency to whom the works were awarded without tender.

Location	Contract Value (Nu.Million)	Value of Work done (Nu. Million)	Contractor
Rongmachu,Lhuentse	2,216,700.00	2,012,773.83	Kuenzang
Rongmachu,Lhuentse	995,878.87	991,750.47	Kuenzang
Sonjari (LFMU)	1,850,541.12	1,781,787.68	M/S Norlan Construction, Thimphu
	5,063,119.99	4,786,311.98	

Similarly, FDCL, Zhemgang Division had directly awarded the road construction work valuing Nu.1.02 million to Mrs. Dorji Yudon, C/o Yeshey Construction, Zhemgang. The Board agreed that no such direct contract would be awarded in future.

Further, Wangdigang Forest Management Unit had awarded the construction of retaining walls to one Mr.Tashi Phuntsho based on approval accorded by Secretary, FSD on his application. The work had an estimated value of Nu.0.23 million.

Auditee's response:

The management submitted that the direct award of road construction work was done on the basis of approval accorded by the Chairman, Board of FDCL and also stated that the Board had agreed not to entertain such works in future.

The Chairman clarified that one contract was awarded directly based on the contribution to the Tsa-Wa-Sum, one because the amount involved was not very huge and the last reason put forth was that in the tendering system majority of the contractors quote abnormally low rates, just to get the work thereby hindering the quality.

Who is accountable?:

Requirement to tender all capital works is a long established norm of any government agencies /government corporations including FDCL. Therefore, accountability for the lapses is fixed on the Chairman, FDCL.
