

Bhutan Board Products Limited.

The following personnel occupied the various portfolios of the corporation in the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Leki Dorji	Chairman
2.	Namgay Ngedup	Managing Director

Summary of the significant observations is given in the table below:

Table 1.36 showing summary of the observations by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding advance	1.914	2.25	1
2.	Outstanding debtors	82.685	97.02	2
3.	Excess payment	0.623	0.73	6
	Total	85.222	100.00	

Major findings:

1. Outstanding advance - Nu. 1.914 million.

The Bhutan Board Products Limited (BBPL) had an outstanding advance of Nu. 1.914 million against suppliers. In some case additional advances were paid before liquidating the previous advances.

Auditee's response: *The BBPL management had submitted that many materials against which advances were granted were on transit and that it would be adjusted upon receipt of materials.*

Who is accountable?: *Release of additional advances before liquidating the previous advances must be discouraged. The responsibility to liquidate the outstanding amount shall fall on Managing Director & Finance Personnel.*

2. Outstanding debtors - Nu.82.685 million.

The audit team had noticed a huge amount of outstanding debtors amounting to Nu.82.685 million on account of sale of boards and furniture. Amount of such a magnitude got accumulated due to a lack of sound credit policy before the present management took over.

Auditee's response: *The management had submitted that it had introduced "cash and carry policy", prepared "Arrear Recovery Strategy" (ARS) for implementation in 2003 and that credit sales is hereafter limited to few credible parties only.*

Who is accountable?: *The accountability to recover the old dues shall be fixed on the Managing Director & Commercial/ Marketing officials.*

3. Excess payment - Nu.0.623 million.

A. The agreement executed between Bhutan Telecom and BBPL on usage and maintenance of 1-7 Km of Takti feeder road required the BBPL to bear 2/3 of the tender cost that was equivalent to Nu.0.322 million. However, on the contrary the BBPL had paid Nu.0.609 million, resulting into excess payment of Nu.0.287 million.

Auditee's response: *The management had submitted that the payments were released to Bhutan Telecom based on their claim and further stated that since Bhutan Telecom is also audited by the RAA the management seeks the RAA's assistance in recovering the excess amount paid.*

Who is accountable?: *An agreement is a legally binding document enforceable in any courts of law in Bhutan. Therefore, the Managing Director is held accountable to recover the excess amount paid.*

B. The river restoration works at Pasakha was carried on cost sharing basis amongst BBPL, Druk Cement Company and Oxygen & Gas Limited at an agreed percentage of 45:45:10. The work was executed by Druk Cement Company (DCC).

The total bill amount of Nu.3.300 million was submitted by the executing agency for which BBPL was required to pay 45% of it i.e. Nu.1.485 million, but on the contrary the management had paid Nu.1.712 million thereby resulting into excess payment of Nu.0.227 million.

Auditee's response: *The management submitted that since M/s Oxygen & Gas Company was in the initial stage and not yet started its commercial production, it could not arrange the payment. Therefore, BBPL and DCC had decided to bear 50% each and later recover from M /s Oxygen & Gas Company Limited.*

Who is accountable?: *The amount must be recovered immediately for which the Managing Director is held accountable. The accounts should be rectified by booking the above expenditure as*

receivable from M/s Oxygen & Gas Limited.

C. The billed amount included Nu.0.109 million on account of salary and traveling/daily allowances paid to the employees of M/s DCC and over time payment to Bull Dozer Operator. Such payment was not incorporated in the agreement. The whole of this amount should be recovered.

***Auditee's
response:***

The management had not responded specifically on the issues raised. It had just stated that the heavy down pour during the year had aggravated the situation at Pasakha to such an extent that delay would have jeopardized the whole situation and wash out the factory & colony. It was also stated that overtime payment to operator was made in order to shorten the restoration time.

***Who is
accountable?:***

Since such payment was not covered in the agreement it stands recoverable. Therefore, responsibility to recover the amount falls on the Managing Director.