

DRUK AIR CORPORATION.

During the year the RAA had issued two inspection reports. The following personnel occupied the various portfolios of the corporation in the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Jigme Y Thinley	Chairman
2.	Sangay Khandu	Managing Director
3.	S. Ghosh	Finance Manager

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

Table 1.31 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	2.256	2.51	1
2.	Irregular/inadmissible payment	0.531	0.59	8
3.	Non disposal of scrap/obsolete items	20.269	22.53	18
4.	Shortage of duty free items	0.028	0.03	11
5.	Excess payment	0.126	0.14	6
6.	Loss due to theft	0.451	0.50	18
7.	Spares lying idle	66.310	73.70	18
	Total	89.971	100.00	

Major findings:

1. Outstanding advance - Nu. 2.256 million.

The Druk Air Corporation had an amount of Nu.2.256 million lying unsettled against the employees, other parties and sundry debtors.

The management was advised to take immediate remedial measures to liquidate the advances.

Auditee's response:

The Druk Air Management is yet to intimate the latest status of the outstanding amount.

Who is accountable?:

All over due advances must be recovered with Commercial Interest of 16% p.a for which the accountability fixed on Managing Director and the Finance Officer.

2. Irregular/Inadmissible payment - Nu.0.531 million.

A. The service manual of the corporation states that “a maximum of 3 days transit will be permitted on full DSA and one day additional DSA may be considered if the situation demands” on travel abroad. In contravention to this provision officers while traveling abroad were paid for more than three days thus resulting in the irregular payment of Nu. 0.116 million. Such irregular payment must be recovered and deposited into Audit Recoveries Account.

Auditee’s response: *The Druk Air Management submitted that the payments were made as per the travel plan prepared by the administration of the corporation based on the availability of the connecting flight.*

Who is accountable?: *All irregular payment made must be deposited into Audit Recoveries Account and the accountability for which shall fall on Managing Director & the Finance Manager.*

B. In contravention to the Ministry of Finance’s circular which states that “Government funds cannot be used for paying membership fees or other expenses for individual sports such as golf and swimming” the Druk Air Corporation had paid Nu.0.048 million to Thimphu Golf Club as membership fee.

Auditee’s response: *The Druk Air Management submitted that it was an institutional fee and not paid against any individual participants. Against this payment the corporation is permitted to nominate 8 participants.*

Who is accountable?: *Expenditure which are not incurred wholly, exclusively and necessarily for business purposes must be stopped forthwith.*

C. The Druk Air Corporation had paid inadmissible DSA to its officials traveling abroad in contravention to the service rules. Such inadmissible payment amounted to Nu.0.167 (0.015 + 0.152) million.

Auditee’s response: *The Druk Air Management is yet to respond on the payment of Nu.0.015 million. With regard to the payment of Nu.0.152 million it was stated that it was paid in line with the Revised Service Manual.*

Who is accountable?: *All irregular payment made stands recoverable and be deposited into the Audit Recoveries Account. The accountability is fixed on Managing Director & Finance Manager.*

D. As per the rule officials/staff while on training/simulator course full DSA will be paid for 1st seven days and rest of the period will be paid 50% of the DSA. However, it was noticed that management had paid inadmissible DSA beyond the entitlement amounting to Nu. 0.200 million.

Auditee's response: *The management had submitted that some payments were made in line with the Corporate Service Manual and some paid based on the commercial judgment made by the corporation. The management agrees to review and recover the inadmissible payment.*

Who is accountable?: *The accountability to recover payments which are inadmissible is fixed on the Managing Director and Finance Manager.*

3. Non-disposal of scraps & obsolete items - Nu. 20.269 million.

The Druk Air Management had not disposed off scraps and obsolete items valuing Nu.20.269 million. Similar issue was raised in the previous audit but the management had not heeded.

Auditee's response: *The Druk Air Management informed the RAA that an item Pilot Head PIN was sold to Air Baltic and that obsolete parts along with the Book Value have been submitted to the Board of Directors for write-off. The board has advised the management to look for interested buyers.*

Who is accountable?: *The Druk Air Corporation must make efforts to dispose off items to avoid blockade of fund. The value realized be deposited into the Audit Recoveries Account. The responsibility to do so is fixed on the Managing Director.*

4. Shortage of Duty Free items - Nu. 0.028 million.

The physical verification of duty free stocks revealed shortages valuing Nu.0.028 million.

Auditee's response: *The Druk Air Management informed the RAA that the said items were issued to the Secretary & ADC to the Crown Prince and that the bill have been raised and payment awaited.*

Who is accountable?: *The value of shortages must be deposited into the Audit Recoveries Account for which the responsibility is fixed on In-charge, Duty Free Section.*

5. Excess payment - Nu. 0.126 million.

A. The contract for the construction of in-flight kitchen & renovation of existing Duty Free building was awarded to M/s Chencho Construction, Paro. On scrutiny of bills paid and actual value of work done, it was noticed that a sum of Nu.0.030 million was paid to the contractor in excess of what was actually admissible. Some of such payments occurred due to calculation errors and non-deduction of rebates offered by the contractor.

Auditee's response: *The Druk Air Management had not appropriately responded on this issue rather it was submitted why the management had to construct such a building.*

Who is accountable?: *The amount of excess payment made must be for which the responsibility shall be fixed on Finance Manager & Engineer In-charge.*

B. The Druk Air had paid a sum of Nu.0.096 million to Duty Free Shop, Thimphu more than what was actually payable in terms of the agreement.

Auditee's response: *The management had not specifically commented on this issue rather it has endorsed a copy of the letter written by the Duty Free management.*

Who is accountable?: *The amount must be deposited into the Audit Recoveries Account by the official responsible for making the excess payment.*

6. Loss of X-ray film - Nu. 0.451 million.

M/s Morgan Ward Limited was appointed to carry out the Non-Destructive Test for the Wing Area's BAe 146 A/C: A5-RGE. During their testing of the wing, the x-ray films were stolen by the security personnel in the Air Port. Since the stolen films were exposed, the desired result could not be achieved. Though the Maintenance Manager had reported the case to the management, suitable administrative action was not found taken against the employees involved. The management had to pay 50% of the total cost amounting to Nu.0.451 million.

Auditee's response: *The management had not stated anything on what kind of action has been taken in order to recover the loss sustained by the corporation for incurring an unproductive expenditure of Nu. 0.451 million.*

Who is accountable?: *The responsibility to take administrative action on the security personnel for the loss rests with the Managing Director.*

7. Spares lying idle worth -Nu.66.310 million.

On verification of the Engineering Store, Druk Air Corporation, Paro it was noticed that expendable parts & roTable slow moving parts valuing Nu.66.31 million were found lying idle in the store. It was also seen that some parts were purchased as far back in 1988 and not utilized till date of audit.

***Auditee's
response:***

The management had submitted that they do not have very substantial stock than a normal operator would need. Further, it was stated that due to old age of the aircrafts, it needed to hold maximum stock to meet the urgent demand in times of emergency.

***Who is
accountable?:***

The management must institute a sound inventory management policy so that there would not have excessive stock while at the same time there is no shortage of fast moving and critical spare parts. The responsibility to do so shall be fixed on Procurement Manager & Engineering Section.