

Chapter XV Financial Institutions & Corporations

The Royal Audit Authority during the year 2004 had issued 37 inspection reports pertaining to the Financial Institutions & Corporations.

I. Bank of Bhutan Limited

Apart from the statutory audit being conducted by a firm of Chartered Accountants empanelled with the Royal Audit Authority the RAA also conduct propriety audit. The observations reflected in the Annual Audit Report 2004 pertained to the branches across the country.

The Bank of Bhutan during the year 2004 was managed and administered by the following:

Sl.No	Name of official	Designation
1.	Lyonpo Wangdi Norbu	Chairman
2.	Tshering Dorji	Managing Director
3.	G.P. Sharma	Deputy Managing Director (Credit)
4.	Passang Tshering	Deputy Managing Director (Operation)

The following table exhibits the summary of the findings in a consolidated form:

Table 1.42 showing summary of the observation by category code and the amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding loan	6.159	84.94	1
2.	Overdue Pending liabilities	1.034	14.26	16
3.	Non Collection of CBC and OC	0.058	0.80	1
	Total	7.251	100.00	

Major findings:

1. Outstanding loan - Nu. 6.159 million

A. On verification of the Medium Term Loan Ledger of the Bank of Bhutan, Lhuentse, it revealed that loan amounting to Nu. 0.046 million were lying unrealized (overdue) from clients namely Tshering Wangchuk and Sonam Tshering.

Auditee's response: *The management submitted that Tshering Wangchuk's case had been forwarded to the The Royal Court of Justice, Lhuentse for the recovery of loan. However, on appeal the Court had granted time extension for 6 months (01/03/04 to 01/09/04) wherein if the borrower fails to comply within the given time, the stock and book debt in trade would be surrendered to the bank. In case of Sonam Tshering, since he failed to repay the amount despite several reminders, the case is forwarded to the court.*

Who is accountable?: *The Bank Management must follow up with the court for recovery of the amount. The accountability is fixed on Jigme Chogyel, Bank Manager.*

B. Review of the Small Business Artisans Credit Scheme (SBACS) ledger maintained by the Bank of Bhutan, Mongar, revealed Nu. 4.506 million lying outstanding as of 31st December 2003

Auditee's response: *The Management submitted that the bank is taking initiatives to contact the defaulters and that out of 34 cases 3 clients have already started repaying the amount regularly. 5 of the cases forwarded to the court were already resolved and 6 more cases are expected to resolve at the end of April 2005. Branch has been advised to regularly follow-up the matter with the concerned authority and with the borrowers.*

Who is accountable?: *The Management must follow up with the court to expedite the early recovery. The accountability is fixed on Tenzin Dorji, Bank Manager.*

C. On review of the SBAC ledger maintained by the Bank of Bhutan, Samdrupjongkhar, it revealed that an unrealized/ unrecovered loans amounting to Nu. 0.607 million from various clients were transferred to HQ for taking appropriate action. Accordingly, the HQ had forwarded all the cases to Samdrupjongkhar Court for settlement and the responsibility to follow up the cases were entrusted to the BoB, Samdrupjongkhar. However, it was noted that majority of the cases had remained unsettled till the date of audit.

Auditee's response: *The management submitted that they are following the cases forwarded to the court and the loans pertain to the release made under 'Small Business and Artisans Credit Scheme' initiated at the command of His Majesty of the King of Bhutan to uplift the poor. However, the shops of the borrowers in Nganglam & Daifam have been closed and settled in other parts of the country. As such the whereabouts of these people could not be traced out. However, recovery suit has been filed against them in the Hon'ble Courts of Daifam and Nganglam in late 1998 & early 1999. The courts too could do little due to the above referred reasons except one case that was resolved recently. The Bank of Bhutan has been directed to make concerted efforts to recover the loans as soon as possible.*

Who is accountable?: *Till the management follows up the cases and expedites early settlement, V.T George, currently Internal Auditor and the Bank Manager are held accountable.*

D. The Bank of Bhutan, Trashigang had the outstanding loan of Nu. 1.00 million. Some of the cases were forwarded to the Royal Court of Justice, Trashigang for settlement.

Auditee's response: *The management submitted that they are following up the cases with the court and RAA would be intimated of its outcome.*

Who is accountable?: *Till the amount is recovered, Tharpo Drukpa, Deputy Chief Manager is held accountable.*

2. Overdue pending liabilities - Nu.1.034 million

The Bank of Bhutan, Samdrup Jongkhar, had the fixed deposit of Nu. 1.034 million which are matured and unclaimed by the depositor. As per the Manual of Instructions, Volume I, Chapter 3, Para 6 C, the dealing assistant should send a letter to the depositors 10 days before the date of maturity informing/ reminding him that a particular deposit receipt is falling due for payment on a given date. If the depositor does not turn up for encashment/ renewal on the maturity date and also does not send his instructions, a reminder should be sent one month after the date of maturity informing him that interest payment on such deposit ceases at maturity. However, as per the records maintained by the bank, it revealed that the bank

management had failed to inform some of the clients as per the manual of Instruction. The unclaimed deposits were directly transferred to C/D ledger under account head 'Deposit Call'

Auditee's response: *The details of the matured and unclaimed fixed deposits of the branch were notified in the Kuensel Issue of 31st March, 2005, at present only five numbers of deposits aggregating to Nu.0.079 million remained outstanding. The others have since been paid.*

Who is accountable?: *Till whole of the amount is paid, V.T George, Bank Manager is held accountable.*

3. Non collection of CBCs and OC - Nu. 0.058 million

The Bank of Bhutan, Samdrupjongkhar had not collected 3 Constituent Bills held for Collection (CBC) amounting to Nu.0.049 million and 2 Outward Cheque (OC) amounting to Nu 0.009 million.

Auditee's response: *The management stated that the matter is taken up with the concerned banks and is being followed up constantly.*

Who is accountable?: *Till the amount is collected, V.T. George, Bank Manager is held accountable.*