

## CORPORATIONS

The Royal Audit Authority during the year had issued 38 inspections reports in respect of the Corporations and reported total unresolved significant irregularities of Nu.19.846 million. The details of the findings were as below:

### 6.1 Bhutan Broadcasting Service Corporation Ltd.

The Royal Audit Authority during the year had issued one Inspection Report in respect of the Bhutan Broadcasting Service Corporation Ltd and total unresolved significant irregularities amounted to Nu.0.638 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

Sl. No.	Observation in brief	Amount	Category Code
1	Outstanding advances	0.638	5
	<b>Total</b>	<b>0.638</b>	

#### 1. Non-adjustment of advances– Nu. 0.638 million (Para No. 6.1.1)

BBSCL had outstanding advances aggregating to Nu.1.813 million against officials, suppliers, contractors and others. The accumulations of advances against the officials and staff were due to granting of additional advances prior to liquidation of previous advances. Out of Nu.1.813 million, a sum of Nu.1.175 million was reported as adjusted and recovered leaving a balance of Nu.0.638 million

#### *Who are accountable?*

- a) Ashok Moktan, GM, FCD, and
- b) Tshewang Rinzin, Finance Manager.

### 6.2 Bhutan Postal Corporation Limited

The Royal Audit Authority during the year had issued one Inspection Report in respect of Bhutan Postal Corporation Limited. The total unresolved significant irregularities of the Corporation amounted to Nu. 1.486 million as summarized below:

Table showing summary of observation with category code and amount involved (Nu. in million)

Sl. No.	Observation in brief	Amount	Category Code
1	Fraud, Corruption and Embezzlement	0.036	1 & 2
2	Mismanagement	0.131	3

3	Shortfalls, lapses and deficiencies	1.319	5
	<b>Total</b>	<b>1.486</b>	

**1. Cash shortages - Nu.0.036 million (Para No. 1.2)**

Against the closing balance of Nu.0.630 million under the Western Union General Cash book, actual physical cash in various denominations including coins and stamps, etc; found was Nu.0.594 million only resulting to cash shortage of Nu.0.036 million. The amount was subsequently recouped as noted from the Charge report dated 26/12/2006. No action was taken for the cash shortages.

***Who is accountable?***

Passang Tshering, WUMT, Thimphu

**2. Loss due to non-occupation of quarters- Nu.0.131 million (Para 2.13.3)**

There was a revenue loss of Nu. 0.131 million due to non occupation of the building units and quarters of the Branch Office, Phuentsholing during the calendar year 2004 and 2005. The Corporation accepted the non-occupation and reported that despite announcement made the quarters had remained unoccupied.

***Who are accountable?***

- a) Samten Wangchuk, Dy. Chief Post Master, and
- b) Sangay Norbu, General Manager

**3. Shortfalls, lapses and deficiencies – Nu. 1.319 million**

The Bhutan Postal Corporation Ltd had cases of shortfalls, lapses and deficiencies aggregating to Nu.1.319 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

Sl. No.	Observation in brief	Amount	Para No.	Who are accountable?
3.1	Non-levy of liquidated damages	0.120	1.8.1	Karma Tshering, General Manager
3.2	Non levy of 25% charges & short remittances	0.061	1.3.4	Passang Tshering, WUMT, Thimphu, and Chewang Gomdar, CEPM
3.3	Double booking of payments against inbound transactions	0.029	1.3.7.2	Passang Tshering, WUMT, Thimphu, and Chewang Gomdar, CEPM
3.4	Short deposit of FMO and EMO	1.109	2.5	Samten Wangchuk, Dy. Chief Post Master, and Sangay Norbu, General Manager
	<b>Total</b>	<b>1.319</b>		

The cases are explained hereunder:

### **3.1 Non-levy of liquidated damages - Nu.0.120 million**

The STCBL had supplied vehicles only on 9/7/2005 as against the stipulated delivery date of 12/1/2005 thus delaying by 178 days. However, the Management had failed to levy liquidated damages of Nu. 0.120 million as per the procurement norms apparently due to non-inclusion of penalty clause in the supply order.

### **3.2 Non levy of 25% charges -Nu. 0.061 million**

The Bhutan Postal Corporation Ltd had not levied 25% commission on outbound transactions amounting to Nu.0.061 million for the year 2004.

### **3.3 Double booking of payments against inbound transactions - Nu. 0.029 million**

General Cash Book, maintained by the Western Union Section, Bhutan Postal Corporation Ltd for the period covered 1/1/2004 to 31/12/2005 revealed that the payments aggregating to Nu.0.082 million made to the beneficiaries were booked twice thereby understating the cash closing balance to that extent. Out of Nu.0.082 million, Nu.0.053 million was reported as recovered leaving a balance of Nu.0.029 million.

### **3.4 Short deposit of FMO/EMO - Nu. 1.109 million**

The Current Deposit Account No.37 of Bhutan Postal Corporation Ltd, Phuenstsholing Branch maintained with the BOBL, P/ling revealed deposit of Nu. 26.453 million only against the total collections of Nu. 27.562 million resulting to short deposit of Nu.1.109 million. The Corporation reported that the matter was being investigated.

## 6.3 Bhutan Power Corporation Ltd (BPCL)

The Royal Audit Authority had during the year issued fourteen Inspection Reports in respect of Bhutan Power Corporation Ltd (BPCL) which included Central Stores, various Electricity Services Divisions and the Central Maintenance and Training Division and total unresolved significant irregularities amounted to Nu.0.045 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

Sl. No.	Observation in brief	Amount	Category Code
1	Shortfalls, lapses and deficiencies	0.045	5
	<b>Total</b>	<b>0.045</b>	

### 1. Shortfalls, lapses and deficiencies – Nu. 0.045 million

The Bhutan Power Corporation had cases of shortfalls, lapses and deficiencies aggregating to Nu.0.045 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

Sl. No.	Observation in brief	Amount	Para No.	Who are accountable?
1.1	Non-imposition of liquidated damages	0.017	4	Chokey Dorji, Manager, Nim Dorji, Senior Manager
1.2	Excess payments	0.028	1.2.1	Sonam Rinzin, Site Engineer
	<b>Total</b>	<b>0.045</b>		

The cases are explained hereunder:

#### 1.1 Non-levy of liquidated damages – Nu. 0.017 million

A total of seven suppliers had failed to supply the electrical goods within due dates for which liquidated damages aggregating to Nu.0.017 million were not levied.

#### 1.2 Excess payments - Nu. 0.028 million

The Power Transmission & Construction Division, Gelephu had paid Nu. 0.036 million for items of works which were either not executed or executed less in the construction of Watch Tower with transit room and septic tank. Out of Nu.0.036 million, a sum of Nu.0.007 million was recovered leaving a balance of Nu.0.028 million.

## 6.4 Food Corporation of Bhutan Limited (FCBL)

The Royal Audit Authority during the year had issued two inspection reports pertaining to the Food Corporation of Bhutan Ltd (FCBL) which included FCBL, Head Office, Phuentsholing and FCBL, Samdrup Jongkhar. The total unresolved significant irregularities of the Corporation amounted to Nu.4.759 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

Sl. No.	Observation in brief	Amount	Category Code
1	Fraud, Corruption and Embezzlement	0.568	1 & 2
2	Shortfalls, lapses and deficiencies	4.191	5
	<b>Total</b>	<b>4.759</b>	

### 1. Fraud, Corruption and Embezzlement – Nu. 0.568 million

The FCB, Samdrupjongkhar had cases of fraud, corruption and embezzlement aggregating to Nu 0.568 million as summarized below:

Table showing summary of fraud, corruption and embezzlement (Nu. in million)

Sl. No.	Observation in brief	Amount	Para No.	Who are accountable?
1.1	Fictitious expenditures	0.283	1	Gangchuk Dukpa, Regional Manager, Karma Tshering, ex FCB staff
1.2	False claims	0.048	2	Gangchuk Dukpa, Regional Manager, Karma Tshering, ex FCB staff
1.3	Falsification of purchases	0.237	3	Gangchuk Dukpa, Regional Manager, S/Jongkhar
	<b>Total</b>	<b>0.568</b>		

The cases are explained hereunder:

#### 1.1 Fictitious transportation charges– Nu. 0.283 million

129 metric tones of 551 rice sold by Khangma and Mongar FCB depots were shown as transported back and sold at the selling price applicable in Samdrup Jongkhar. Besides non-accountal of the difference in the sale proceeds of Nu.0.145 million, fictitious transportation charges of Nu.0.138 million were claimed by the management. No adequate action was taken for the fictitious payments.

#### 1.2 False transportation claim - Nu. 0.048 million

The management of FCBL, Samdrup Jongkhar manipulated records by showing 150 metric tones of Wheat as imported from the FCI, Guwahati and booked fictitious transportation charges of Nu.0.048 million. As cross

verified with the records of Indo Bhutan Customs Check Post no such imports were made by the FCBL, Sandrup Jongkhar. The consignment was recorded as sold at the rates applicable to the FCBL, Sandrup Jongkhar. No adequate action was taken for the fictitious payments.

### 1.3 *Irregular purchase of Moong Dal –Nu.0.237 million*

The FCBL S/Jongkhar had recorded purchase of 10 metric tones Moong Dal valuing Nu.0.237 million from M/s Bartsam Tshongkhang, S/Jongkhar vide Cash Memo No.15 dated 22/4/2002. As the food commodity in question was not grown in Bhutan, the RAA's enquiry to confirm the import by M/s Bartsam Tshongkhang at the Customs check post showed no such transactions. No adequate action was taken for the irregular purchases.

## 2. **Shortfalls, lapses and deficiencies- Nu. 4.191 million**

The FCBL had cases of shortfalls, lapses and deficiencies aggregating to Nu.4.191 million as summarized below:

**Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)**

Sl. No.	Observation in brief	Amount	Para No.	Who are accountable?
2.1	Deficiencies on Auction Yard Revolving Fund and unjustified accumulation of advances	3.230	1	Sangay Wangdi, Complex Manager, and Kunzang Namgyel, Managing Director
2.2	Loss sustained by the Corporation on maize operation	0.961	2	Sangay Wangdi Cash Crop In-charge, and Kunzang Namgyel, MD
	<b>Total</b>	<b>4.191</b>		

The cases are explained hereunder:

### 2.1 *Deficiencies on Auction Yard Revolving Fund operations and unjustified accumulation of advances - Nu.3.230 million*

The FCBL had paid Nu.10.400 million to potato farmers on behalf of the Indian buyers during the 2005 season. Neither there were any legal agreements executed between the FCBL and the buyers nor any collateral security were obtained for extending the credit facilities there by exposing the Corporation to possible risks. Amounts aggregating to Nu.3.230 million were recoverable from the parties although the potato season and the grace period of one month allowed were over. Interest of Nu.0.032 million was not charged for the period delayed from two buyers who had repaid the principal amounts. Despite pointing out similar lapse in the audit report for the year 2002-2003, the management did not take proper measures to safeguard the interest of the Corporation.

## 2.2 *Loss sustained by the Corporation on maize operation -Nu. 0.961 million*

As directed by the Board, the FCBL had been purchasing surplus maize from the farmers in order to help them market their surplus produce. As against purchase price of Nu.6.50 per Kg, the Corporation had been selling it through auction at Nu. 4.00 per Kg due to which FCBL had sustained a loss of Nu.0.961 million in maize operation.

## 6.5 **Kuensel Corporation Ltd.**

The Royal Audit Authority during the year had issued one inspection report of Kuensel Corporation Ltd., and total unresolved significant irregularities amounted to Nu.11.168 million as summarized below:

Table showing summary of observations with category code and amount involved (Nu. in million)

Sl. No.	Observation in brief	Amount	Category Code
1	Violation of Laws, Rules and Regulations	2.237	4
2	Shortfalls, lapses and deficiencies	8.931	5
	<b>Total</b>	<b>11.168</b>	

### 1 **Violation of Laws, Rules and Regulations – Nu. 2.237 million**

The Kuensel Corporation Ltd., had cases of Violation of Laws, Rules and Regulations aggregating to Nu.2.237 million as summarized below:

Table showing summary of violation of Laws, Rules and Regulations (Nu. in million)

SL. No.	Observation in brief	Amount	Para No.	Who are accountable?
1.1	Direct award of work	1.603	1.1	Thinley Namgyel, Procurement Manager, and Chencho Tshering, DMD
1.2	Non Renewal of performance guarantee	0.634	1.2	Thinley Namgyel, Procurement Manager, and Chencho Tshering, DMD
	<b>Total</b>	<b>2.237</b>		

The cases are explained hereunder:

#### 1.1 *Procurement without tender – Nu. 1.603 million*

The Kuensel Corporation Ltd. had directly awarded the transportation contract amounting to Nu. 1.507 million to M/s ABC India Ltd. without tenders thereby depriving the Corporation of the benefits of competitive rates. Similarly, air ticket costing Nu.0.096 million were purchased without calling quotations.

### 1.2 *Non renewal of performance guarantee - Nu. 0.634 million*

M/s Yangtag Construction who was awarded the construction work of branch office of Kuensel Corporation Ltd at Kanglung for Nu. 4.617million had furnished performance guarantee of Nu.0.634 million as against Nu. 0.693 million (Nu. 4,617,302.35 X 15%) resulting in short deposit of performance guarantee by Nu.0.059 million. Further, performance guarantee valid till 23<sup>rd</sup> June 2005 was not renewed though the submission of the final bills was pending as of 23.5.2006.

Kuensel Corporation had not taken actions on the above observation.

## 2. **Shortfalls, lapses and deficiencies- Nu. 8.931 million**

The Kuensel Corporation Ltd., had cases of shortfalls, lapses and deficiencies aggregating to Nu.8.931 million as summarized below:

**Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)**

SL. No.	Observation in brief	Amount	Para No.	Who are accountable?
2.1	Frequent payment of advances	5.048	2.1.1	Thinley Namgyel, Procurement Manager, and Chencho Tshering, DMD
2.2	Outstanding advances	3.883	6.2.2	Thinley Namgyel, Procurement Manager, and Chencho Tshering, DMD
	<b>Total</b>	<b>8.931</b>		

The cases are explained hereunder:

### 2.1 *Excessive advances granted to contractor- Nu. 5.048 million*

The Contractor for the construction of Branch Office of Kuensel Corporation Ltd. at Kanglung was frequently paid secured advances and advances against running bills that too mostly on photocopied bills. As against total contract value of Nu.4.617 million advances aggregating to Nu.5.048 million were paid to the Contractor.

### 2.2 *Outstanding advances - Nu. 3.883 million*

Advances amounting to Nu.3.883 million were lying outstanding against the official on account of stipends, tuitions fee, and air tickets etc. The Kuensel Corporation had not taken effective actions to liquidate the advances.

## 6.6 Penden Cement Authority Limited (PCAL), Gomtu

The Royal Audit Authority during the year had issued one Inspection Report in respect of the Penden Cement Authority Limited and the total unresolved significant irregularities amounted to Nu.1.544 million as summarized below:

Table showing summary of observation with category code and amount involved (Nu. in million)

Sl. No.	Observation in brief	Amount	Category Code
1	Mismanagement	0.040	3
2	Shortfalls, lapses and deficiencies	1.504	5
	<b>Total</b>	<b>1.544</b>	

### 1. Payments made without receipt of items - Nu. 0.040 million (Para No. 5)

A sum of Nu.0.040 million paid to M/s TEE ARR Enterprise, Phuentsholing in January 2003 for the supply of tyres had remained unadjusted as neither the tyres were supplied nor the amount refunded to the PCAL. The matter had now been referred to the Royal Court of Justice, Samtse.

#### *Who is accountable?*

Sherub Tenzin, Manager.

### 2. Shortfalls, lapses and deficiencies –Nu.1.504 million

The PCAL had cases of shortfalls, lapses and deficiencies amounting to Nu.1.504 million as summarised below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

Sl. No.	Observation in brief	Amount	Para No.	Who are accountable?
2.1	Over payment of DSA	0.155	16	S.R.Maity, Sr. General Manager and Alok Dutta, Dy. General Manger
2.2	Irregularities in payment of fees	0.115	19 (a)	Tshering Dorji, Dzongkha PA
2.3	Non-levy of penalty	1.234	13	S.R.Maity, Sr. General Manager, and Alok Dutta, Dy. General Manger
	<b>Total</b>	<b>1.504</b>		

The cases are explained hereunder:

### **2.1 Over payment of DSA – Nu. 0.155 million**

The PCAL had been following the RGoB rules for payment of DSA and other expenses in respect of foreign travels. The officials were paid incidental expenses and taxi hire charges in addition to full DSA which was not covered by the foreign travel rules resulting to excess, double and inadmissible payments of Nu.0.211 million. Out of Nu.0.211 million, a sum of Nu.0.056 million has been recovered leaving a balance of Nu.0.155 million.

### **2.2 Irregularities in payment of fees - Nu. 0.115 million**

The PCAL had paid a total sum of Nu.0.399 million to Karma Sonam, Jabmi C/o M/s Dechog Legal Counsel and Services, (DLCS) Thimphu representing the PCAL on the unresolved case against M/s Barma Transport as realization fees. As per the approval of the Board, Jabmi was entitled for Nu.0.284 million based on the Court verdict. As on dates of audit, the case was still pending and a sum of Nu.0.115 million paid over and above the amount approved by the Board stood recoverable from the Jabmi.

### **2.3 Non-levy of penalty – Nu. 1.234 million**

The PCAL had not levied penalty amounting to Nu.1.234 million during the period 1<sup>st</sup> January to 2003 to 30<sup>th</sup> April 2004 as per supply terms and conditions for the supply of coal by M/s Eastern Bhutan Coal Company (EBCC), Samdrup Jongkhar.

## **6.7 State Trading Corporation of Bhutan Ltd.**

The Royal Audit Authority during the year had issued one inspection report in respect of the State Trading Corporation of Bhutan Limited (STBCL), Phuentsholing. The total unresolved significant irregularities of the Corporation amounted to Nu.0.206 million as summarized below:

**Table showing summary of observation with category code and amount involved (Nu. in million)**

Sl. No.	Observation in brief	Amount	Category Code
1	Shortfalls, lapses and deficiencies	0.206	5
	<b>Total</b>	<b>0.206</b>	

### **1. Shortfalls, lapses and deficiencies – Nu.0.206 million**

The STCBL had cases of shortfalls, lapses and deficiencies amounting to Nu.0.206 million as summarized below:

Table showing summary of shortfalls, lapses and deficiencies (Nu. in million)

Sl. No.	Observation in brief	Amount	Para No.	Who are accountable?
1.1	Less receipt of Eicher spares parts	0.040	11	A. Roy Chowdhury, CFO
1.2	Shortage/excess of store items	0.166	18	Tshering Dorji, Manager and Karma Gyeltshen, Regional Manager,
	<b>Total</b>	<b>0.206</b>		

The cases are explained hereunder:

**1.1 Less receipt of Eicher spare parts– Nu. 0.040 million**

The STCBL had made full payments to the supplier although the spare parts for Eicher worth Nu.0.040 million were either not received or received in damaged condition.

**1.2 Shortage/excess of store items– Nu. 0.166 million**

Stock verification of Auto Division for imported spares noted shortages and excesses of items valuing Nu.0.166 million. STCBL had not taken proper actions on the above observations.