

## CORPORATIONS AND FINANCIAL INSTITUTIONS

### 6.45 Kuensel Corporation

During the period, the Royal Audit Authority had issued one audit report of Kuensel Corporation. There were six observations pointed out in the report involving Nu. 7.215 million. However,

three observations aggregating to Nu.0.829 million were settled. The total unresolved significant irregularities amounted to Nu.0.072 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.072	5
	<b>Total</b>	<b>0.072</b>	

#### 1 Shortfalls, Lapses and Deficiencies – Nu.0.072 million

There was one case falling under shortfalls, lapses and deficiencies involving Nu.0.072 million as explained hereunder:

##### 1.1 *Non collection of Earnest Money Deposit – Nu.0.072 million (Para 3)*

The Kuensel Corporation had not collected refunds of Earnest Money Deposit (EMD) aggregating to Nu.0.107 million from various Ministries and Departments since 2001. Out of Nu.0.107 million, a sum of Nu.0.035 million was later recovered leaving a balance of Nu.0.072 million.

##### *Who are accountable?*

*Thinley Dorji, Finance Manager and Chenchu Tshering, Deputy Managing Director*

### 4.46 Bhutan Postal Corporation Ltd.

During the period, the Royal Audit Authority had issued two audit reports of Bhutan Postal Corporation Limited (BPCL) and its units. There were ten observations pointed out in the reports

involving Nu.0.577 million. However, nine observations amounting to Nu 0.458 were settled. The total unresolved significant irregularities amounted to Nu.0.092 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Fraud, Corruption and Embezzlement	0.092	1 & 2
	<b>Total</b>	<b>0.092</b>	

## 1 Fraud, Corruption and Embezzlement – Nu.0.092 million

There was one case indicating fraud, corruption and embezzlement involving Nu.0.092 million as explained hereunder:

### 1.1 *Embezzlement of cash - Nu.0.092 million (Para 4.1)*

The Senior Postal Assistant of Nganglam Post Office had embezzled Nu.0.119 million by forging signatures of the payees. Out of Nu.0.119 million, a sum of Nu.0.027 million was later deposited leaving a balance of Nu.0.092 million. No action had been taken for the fraudulent practice.

#### **Who are accountable?**

*Sonam Tshering, GM (ER) and Jigme Tenzin, Deputy Managing Director*

## 6.47 Bhutan Telecom Ltd.

During the period, the Royal Audit Authority had issued four audit reports of the Bhutan Telecom Limited (BTL) and its units. There were twenty four observations pointed out in the reports

involving Nu. 54.803 million. However, twenty one observations amounting to Nu. 51.747 were settled. The total unresolved significant irregularities amounted to Nu.0.045 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Mismanagement	0.045	3
	<b>Total</b>	<b>0.045</b>	

## 1 Mismanagement – Nu.0.045 million

There was one case of mismanagement involving Nu.0.045 million as explained hereunder:

### 1.1 Outstanding revenue – 0.045 million (Para 1.1)

The BTL, Trashigang had outstanding revenues of Nu.0.045 million against various customers. No action had been taken.

#### Who are accountable?

*Sonam Norbu, Cashier and Sangay Norbu, Area Manager*

## 6.48 Food Corporation of Bhutan

During the period, the Royal Audit Authority had issued one audit report of the Food Corporation of Bhutan (FCB), Gelephu. There were six observations pointed out in the report involving Nu.6.976 million. However, three observations amounting to Nu.6.019 million were settled. The total unresolved significant irregularities amounted to Nu.1.952 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Fraud, Corruption and Embezzlement	1.562	1 & 2
2	Shortfalls, Lapses and Deficiencies	0.390	5
	<b>Total</b>	<b>1.952</b>	

### 1 Fraud, Corruption and Embezzlement – Nu.1.562 million

There was one case indicating fraud, corruption and embezzlement involving Nu.1.562 million as explained hereunder:

#### 1.1 Misuse of cash – Nu.1.562 million (Para 1)

Tenzin Dorji, the then Bulk Manager of FCB, Gelephu had misused cash amounting to Nu.1.562 million. The case was forwarded to the Royal Court of Justice, Gelephu and accordingly, the land belonging to Tenzin Dorji at Gelephu had been taken over by the FCB at an estimated value Nu.0.997 million leaving a balance of Nu.0.565 million. The incumbent is currently serving the prison term.

#### Who are accountable?

*Tenzin Dorji, Bulk Manager and Tashi Peljore, Regional Manager*

## 2 Shortfalls, Lapses and Deficiencies – Nu.0.390 million

---

There was one case falling under shortfalls, lapses and deficiencies involving Nu.0.390 million as explained hereunder:

### 2.1 Outstanding debtors – Nu.0.390 million (Para 2)

The FCB, Gelephu had outstanding debtors of Nu.5.284 million of which a sum of Nu.4.894 million was settled leaving a balance of Nu.0.390 million.

#### **Who are accountable?**

*Sonam Choden, Bulk Manager and Tashi Peljore, Regional Manager*

## 6.49 Bhutan Power Corporation Ltd.

During the period, the Royal Audit Authority had issued four audit reports of the Bhutan Power Corporation Limited (BPCL). There were nineteen observations pointed out in the reports involving

Nu.1.436 million. However, sixteen observations amounting to Nu.1.278 were settled. The total unresolved significant irregularities amounted to Nu.0.037 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Mismanagement	0.037	5
	<b>Total</b>	<b>0.037</b>	

### 1 Mismanagement – Nu.0.037 million

---

There was one case of mismanagement involving Nu.0.037 million as explained hereunder:

#### 1.1 Non realization of energy charges – Nu.0.037 million (Para 2.1)

The Electricity Services Division, Samdrupjongkhar had outstanding energy charges of Nu.0.037 million against the Royal Bhutan Police. The case had been forwarded to General Manager, Distribution and Customer Services Department for write off.

#### **Who are accountable?**

*Palman Thapa, Asstt. Manager and Lobzang Dorji, Sr. Manager*

## 6.50 Kurichu Hydro Power Corporation Ltd.

During the period, the Royal Audit Authority had issued one audit report of the Kurichu Hydro Power Corporation Limited (KHPCL). There were nine observations pointed out in the report

involving Nu. 2.731 million. However, eight observations amounting to Nu. 0.207 million were settled. The total unresolved significant irregularities amounted to Nu.2.511 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	2.511	5
	<b>Total</b>	<b>2.511</b>	

### 1 Shortfalls, Lapses and Deficiencies – Nu.2.511 million

There was one case falling under shortfalls, lapses and deficiencies involving Nu.2.511 million as explained hereunder:

#### 1.1 *Non realization of Value Added Tax refund - Nu.2.511 million (Para 8)*

The KHPCL had not realised the refund of Value Added Tax (VAT) aggregating to Nu.2.511 million from M/s Baharat Heavy Electrical Limited, Ranipur against the supply of spare parts. Despite repetitive reminders, the management had not received any appropriate response.

#### *Who is accountable?*

*Thinley Dorji, Chief Engineer*

## 6.51 State Trading Corporation of Bhutan Ltd.

During the period, the Royal Audit Authority had issued one audit report to the State Trading Corporation of Bhutan Limited (STCBL). There were ten observations pointed out in the report

involving Nu. 53.963 million. The total unresolved significant irregularities amounted to Nu.40.834 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	40.834	5
	<b>Total</b>	<b>40.834</b>	

## 1 Shortfalls, Lapses and Deficiencies – Nu.40.834 million

There were cases of shortfalls, lapses and deficiencies involving Nu.40.834 million as summarised hereunder:

Sl. No.	Observations in brief	Nu in million	Para No.	Who are accountable?
1.1	Retention of huge stocks of non moving items	34.839	5	Tenzin Norgay, GM and Samdrup K Thinley, MD.
1.2	Losses due to sales below cost price	4.782	3.1	Tshering Wangchuk, Manager and Samdrup K. Thinley, MD
1.3	Huge losses through payment of liquidated damages	1.213	3.3	
	<b>Total</b>	<b>40.834</b>		

The cases are explained below:

### ***1.1 Retention of huge stocks of non moving items – Nu.34.839 million***

The STCBL had retained huge stock balance of non moving items valuing Nu.44.664 million resulting into blockage of fund. However, the management had auctioned stocks worth Nu.9.825 million.

### ***1.2 Losses due to sales below cost price - Nu.4.782 million***

The STCBL had incurred a loss of Nu.4.782 million on the supply of Bitumen & Emulsion to the Ministry of Works and Human Settlement at rates below the cost price. The management had forwarded the dispute to Dungkhag Court, Phuentsholing for interpretation of the tender documents and awaits its decision.

### ***1.3 Huge losses through payment of liquidated damages – Nu.1.213 million***

The STCBL had suffered direct losses of Nu.1.213 million by payment of liquidated damages for late delivery of supplies. The management had forwarded the issue to Dungkhag Court, Phuentsholing for interpretation of the tender documents and awaits its decision.

## 6.52 Bank of Bhutan Ltd.

During the period, the Royal Audit Authority had issued one audit report of the Bank of Bhutan Limited (BoBL). There were thirty one observations pointed out in the report involving Nu.20.460 million.

However, five observations amounting to Nu. 3.518 million were settled. The total unresolved significant irregularities amounted to Nu.1.271 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	1.271	5
	<b>Total</b>	<b>1.271</b>	

### 1 Shortfalls, Lapses and Deficiencies – Nu.1.271 million

There were cases of shortfalls, lapses and deficiencies involving Nu.1.271 million as summarised hereunder:

Sl. No.	Observations in brief	Nu in million	Para No.	Who are accountable?
1.1	Default in loan account	1.271	3.2 & 3.3	T.C. Ghimirey, Asstt Chief Manager and Namgay Dorji, General Manager
	<b>Total</b>	<b>1.271</b>		

The cases are explained below:

#### 1.1 Defaulted loan account – Nu.1.271 million

- a) The BoBL Main Branch, Thimphu had sanctioned a loan of Nu.1.000 million to one of the clients holding Loan Account # ML 1049 despite erratic repayment in respect of Loan Account # ML/699. Due to default in repayment, the loan balance had increased to Nu.1.058 million. No action had been taken.
- b) The loan granted to one of the clients under Credit Guarantee Scheme for opening a restaurant in Thimphu had exceeded the maximum terms of loan by six months. The client so far had paid Nu.0.007 million against the loan of Nu. 0.220 million leaving a balance of Nu.0.213 million. No action had been taken.

## 6.53 Bhutan National Bank Ltd.

During the period, the Royal Audit Authority had issued two audit reports of the Bhutan National Bank limited (BNBL) and its branch offices. There were twenty two observations pointed out in the reports involving Nu. 10.512 million.

However, eight observations amounting to Nu.0.673 million were settled. The total unresolved significant irregularities amounted to Nu.2.445 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	2.445	5
	<b>Total</b>	<b>2.445</b>	

### 1 Shortfalls, Lapses and Deficiencies – Nu.2.445 million

There were cases of shortfalls, lapses and deficiencies involving Nu.2.445 million as summarised hereunder:

Sl. No.	Observations in brief	Nu in million	Para No.	Who are accountable?
1.1	Suspended transport loans	0.406	1.5	Karma Deki, Offtg. Head, Credit
1.2	Overdue Government Employee Loans	2.039	1.1 a	Delley Phuntsho, Head, GE Loan
	<b>Total</b>	<b>2.445</b>		

The cases are explained below:

#### 1.1 *Suspended transport loan – Nu.0.406 million*

The BNBL, Thimphu had neither seized the vehicle nor taken over the land at Paro after suspension of transport loan amounting to Nu.0.406 million. The management had forwarded the case to the District court and the court had granted time till June 23, 2008 to repay the loan.

#### 1.2 *Overdue Government Employee (GE) loan accounts - Nu.2.039 million*

The BNBL, Thimphu had overdue GE loans amounting to Nu.2.039 million from various clients. The highest defaulting clients were from the Royal Bhutan Police and the Royal Bhutan Army.

## 6.54 Bhutan Development Finance Corporation Ltd.

During the period, the Royal Audit Authority had issued three audit reports of the Bhutan Development Finance Corporation Limited (BDFCL) and its branch offices. There were forty two observations pointed out in the reports

involving Nu.46.200 million. However, fifteen observations amounting to Nu.4.780 million were settled. The total unresolved significant irregularities amounted to Nu.1.895 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	1.895	5
	<b>Total</b>	<b>1.895</b>	

### 1 Shortfalls, Lapses and Deficiencies – Nu.1.895 million

There were cases of shortfalls, lapses and deficiencies involving Nu.1.895 million as summarised hereunder:

Sl. No.	Observations in brief	Nu in million	Para No.	Who are accountable?
1.1	Loan sanctioned without collateral	0.200	1.1	Kencho Pelden, Assistant Legal Officer
1.2	Non repayment of loan installments	0.295	1.6	Karma Yonten, Project Officer and Ugyen Dendrup, GM, Credit
1.3	Default in housing renovation loans	1.400	1.8 1.13	Kinzang Thinley, Project Officer and Ugyen Dhendrup, GM, Credit Kencho Pelden, Assistant Legal Officer
	<b>Total</b>	<b>1.895</b>		

The cases are explained below:

#### 1.1 *Loan sanctioned without collateral – Nu.0.200 million*

The BDFCL, Thimphu had sanctioned a loan amounting to Nu.0.360 million to one of its clients in the year 1990 without any security/collateral. The Board during its 73<sup>rd</sup> meeting had waived off 50% of the loan and asked the client to pay balance amount of Nu.0.200 million by 15<sup>th</sup> Dec. 2006. Since the client failed to pay within the deadline, the case was forwarded to the Royal Court of Justice and its outcome is awaited.

## **1.2 Non repayment of loan installments – Nu.0.295 million**

One of the clients had not paid even a single installment of the 16 installments due on 18.01.07 for the tailoring loan availed on 4.10.05 amounting to Nu. 0.295 million. Since the client failed to update the loan account, the case was forwarded to the Royal Court of Justice, Thimphu and its outcome is awaited.

## **1.3 Default in housing renovation loans – Nu. 1.400 million**

- a) In addition to loan of Nu.8.000 million, a loan of Nu.0.400 million was sanctioned for the renovation of a three storied commercial building at Paro in deviation to Section 14, Clause 14.7 of the Royal Monetary Authority Prudential Guidelines. The repayment of the loan of Nu.1.200 million had been delayed by 492 days as on 31.1.07. Since the client failed to regularise the loan account, the case was forwarded to the Royal Court of Justice, Paro and its outcome is awaited.
- b) A house renovation loan amounting to Nu.0.200 million was sanctioned on 18<sup>th</sup> May 2005 without detailed cost estimates to one of the clients. The client had paid only one installment and failed to pay thereafter. No action has been taken.

## **6.55 Royal Securities Exchange of Bhutan Ltd.**

During the period, the Royal Audit Authority had issued one audit report of the Royal Securities Exchange of Bhutan Limited (RSEBL). There were seven observations pointed out in the report

involving Nu. 0.563 million. However, one observation amounting to Nu.0.050 million was settled. The total unresolved significant irregularities amounted to Nu.0.063 million as summarised below:

Sl. No.	Observations in brief	Nu in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.063	5
	<b>Total</b>	<b>0.063</b>	

### **1 Shortfalls, Lapses and Deficiencies – Nu.0.063 million**

There was one case falling under shortfalls, lapses and deficiencies involving Nu.0.063 million as explained hereunder:

### **1.1 Excess payment of allowances – Nu.0.063 million (Para No.3)**

The officials of the RSEBL had claimed subsistence allowances aggregating to Nu.0.067million in excess of the actual entitlement while attending a General Meeting abroad. The management had initiated recovery of excess payment on installment basis and recovered Nu.0.004 million leaving a balance of Nu.0.063 million.

#### **Who are accountable?**

*Ngawang Lhendup, Incharge, ADM, Dophu Dorji, Manager, Khandu Wangmo, Computer Programmer and Tashi Yezer, Chief Executive Officer*