

Food Corporation of Bhutan.

Besides the statutory audit conducted by Chartered Accountant Firms from India, the Royal Audit Authority also conduct regulatory audit. The following personnel occupied the various portfolios of the corporation in the year 2002.

Sl. No	Name of Office bearers	Designation
1.	Lyonpo Kinzang Dorji	Chairman
2.	Sherub Gyeltshen	Managing Director
3.	R. Swaminathan	Finance Manager

Summary of RAA's major findings not yet resolved in audit is given in the table 1.36 below:

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

Sl. No.	Observation in Brief	Amount (Nu.Million)	%	Category code
1.	Outstanding Loans and advances.	2.85	51.54	1
2.	Purchases without quotation.	2.14	38.70	3
3.	Inadmissible payment.	0.37	6.69	8
4.	Recoverable amount from suppliers/transporters.	0.13	2.35	11
5.	Irregular payment.	0.04	0.72	8
	Total	5.53	100	

Major Findings:

1. Purchases without quotation Nu.2.14 million.

The Food Corporation Bhutan (FCB) had procured 264.30 metric tonnes (MT) of raw rice amounting to Nu. 2.14 million without competitive bidding. Audit could not assess the reasonableness of rates paid to the suppliers.

Auditee's response:

It was stated that the quotation for the supply of Raw Rice was initially not processed since the supply of 600 Mt of raw rice by M/s Sha & Company was in progress. Further, it was stated that since there was a need for additional quantity of rice to replenish the National Food Security Reserve, quotation was received from M/s Ayesha Export, Kishanganj for 551 Brand rice and the rate for 551 rice of the 4th sample was found acceptable as raw rice and that the party had agreed to supply as raw rice instead of 551 rice. Besides, the Board allowed such purchases through formation of committee. The

incorporation of penalty clauses is not practical on business such as commodity trading.

Who is accountable?: *The response is not tenable in audit, therefore, the accountability is fixed on the former Managing Director.*

2. Irregular payment Nu. 0.04 million.

FCB had made the payment of Nu.0.04 million to the contractor based on the estimated value without measurement being taken in the Measurement Book (MB). In the absence of MB and contractor's bill, the actual consumption of materials and actual amount payable could not be ascertained.

Auditee's response: *The management submitted that since the work after making spot quotation was awarded on lump sum amount which was estimated based on Bhutan Schedule of Rates the need to maintain Measurement Book was not felt necessary.*

Who is accountable?: *It is mandatory to maintain Measurement Book in any construction related works. Therefore, the accountability for not maintaining the Measurement Book is fixed on the former Managing Director.*

3. Recoverable amount from suppliers/transporters Nu.0.13 million.

FCB had received consignments (Mona Brand Palm Oil) worth US \$ 1127 in a damaged condition. Although the supplier firms from Singapore had agreed to compensate for the damaged consignment, The FCB did not make further attempt to get the compensation. The equivalent value recoverable amounts to Nu.0.05 million.

Similarly, FCB had 2.414 Mt of Palm Oil received short from the transporters. The value of this shortage was estimated at US \$ 1738 which, is equivalent to Nu.0.08 million

Auditee's response: *The management submitted that the supplier had agreed to make good the losses in the next order but the FCB did not import the oil later and the amount remained uncollected. Further, it was stated that the supplier had agreed to refund the value of goods short received but not refunded as yet.*

Who is accountable?: *The amount with Commercial Interest be accounted for by the former Managing Director.*

4. Outstanding Loans and advances Nu.2.85 million.

Bad and Doubtful loans and advances as of December 2001 stood at Nu.2.85 million. Of this total amount 94 % were lying receivable since 1992 & 1993 and must now be accounted for in Audit Recoveries Account with Commercial Interest from the officers responsible to account.

Auditee's response: *The FCB management had submitted that the cases have been referred to the Court of Law in Phuntsholing.*

Who is accountable?: *Until such time the RAA is informed of the outcome the accountability is fixed on the Managing Director.*

5. Inadmissible payment Nu.0.37 million.

FCB has been regularly paying sitting fees to the invitees during its various meetings. As per Section 63 of the Companies Act 1989, only directors are entitled to the sitting fees.

FCB had a office orders setting limit for payment of residential telephone bills of officials by the corporation. Not adhering to the orders, the telephone charges were paid over and above the set limit amounting to Nu.0.28 million.

Auditee's response: *The FCB management had submitted that the matter regarding the payment of sitting fees to invitees was placed before the Board in its 36th meeting and stated that the Companies Act has no reference on this issue. In respect of residential telephone charges the management stated that the Board had permitted the management to treat the charges as part of corporation's expenditure*

Who is accountable?: *Since the Company's Act of the Kingdom of Bhutan did not stipulate the payment of sitting fees to the invitees regardless of who approved it, the Managing Director is held accountable. The payment of residential telephone bills were disallowed by Ministry of Finance, no exceptions can be made by any authority except MoF, therefore Managing Director is held accountable.*
