

Royal Insurance Corporation of Bhutan

The following personnel occupied the various portfolios of the corporation in the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Wangdi Norbu	Chairman
2.	Lamkey Tshering	Managing Director
3.	Suraji Dutla	Finance Manager

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

Table 1.34 showing summary of the observations by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Irregular payment	0.025	0.67	8
2.	Settlement of claims without police report	2.694	73.23	18
3.	Sale of vehicle salvages at below the reserve price	0.753	20.52	18
4.	Purchases without quotation	0.207	5.58	3
	Total	3.679	100.00	

Major findings:

1. Irregular payment - Nu.0.025 million.

The Royal Insurance Corporation of Bhutan (RICB) paid taxi charges to its officials while on training abroad in contravention to the rules. As per the rule when the officials are paid Daily Subsistence Allowance (DSA), they are not entitled to claim for the incidental expenses including taxi charges.

Auditee's response:

The RICB management submitted that they were of the understanding that DSA does not include cost of traveling & conveyance and other incidental expenses.

Who is accountable?:

Since the payment of taxi charges were not in accordance with the rules the same amount must be recovered for which the Managing Director is held accountable.

2. Settlement of claims without police report - Nu.2.694 million.

The RAA had observed that the claims department had settled claims amounting to Nu.2.694 million without insisting for the mandatory requirement of police report. In most cases police report is waived off as a special case and further verification from the insurer's side were never carried out even when the client did not produce the Police report.

Auditee's response:

In absence of the police report, the legality and the authenticity of the payments made were questionable. The management submitted that beside police report there are other documents such as spot inspection report, spot photographs, surveyor's report to ascertain the genuineness/merit of the accident. The police report is insisted where the management is not satisfied with genuineness of the claim.

Who is accountable?:

Police report must be the basis of all claims and must be followed consistently. The management by exercising their authority to choose which accident requires a police report had only given the management a room to manipulate and discriminate. Therefore, the management is held accountable for entertaining claims not supported by police report.

3. Sale of vehicle salvages below the reserve price - Nu.0.753 million.

The sale of vehicle scraps & salvages were made through open auction to the general public. However, it was noticed that some of the salvages were sold to public below the company's reserve value resulting into a loss of Nu.0.753 million.

Auditee's response:

The management submitted different scenarios whereby the tender committee makes spot discussion/ decision to accept bid lower than the reserve value. The scenarios include the salvages not sold for several occasions, minimize loss due to deterioration of salvage condition and to avoid storage problem.

Who is accountable?:

Since most of the deals were negotiated by the management either at later stages or with some parties who were not even present when the decision were made, the tender committee or the management is held accountable.

4. Purchases without quotation - Nu.0.207 million.

On verification of the paid voucher, it was noticed that purchase of Air Ticket was made without quotation amounting to Nu.0.207 million. The purchases were made only from single firm all the year round.

***Auditee's
response:***

The management submitted that purchases were made on a piecemeal basis and as such there was no system of calling quotation. However, the management agreed to put the system in place in future.

***Who is
accountable?:***

An objection of the audit is not on procuring on piecemeal basis but on the company not resorting to maintaining live quoted rates for the office supplies. A proper procurement system must be put in place immediately and the responsibility for which shall fall on the Managing Director.