

State Trading Corporation of Bhutan Limited

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

Sl. No.	Name of Office Bearers	Designation
1.	Dasho Karma Dorji	Chairman
2.	Dasho Dorji Namgyel	Managing Director
3.	A. Roy Choudhary	Finance Manager

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

Table 1.37 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 of demurrage	1.323	15.87	8
2.	Shortage of stores	0.154	1.85	11
3.	Irregular payment of overtime allowance	0.535	6.42	8
4.	Outstanding dues	6.153	73.83	2
5.	Short deposit of sale proceeds	0.169	2.03	11
	Total	8.334	100.00	

Major findings:

1. Irregular payment of demurrage - Nu.1.323 million.

As per the terms and conditions with the clearing agent any demurrage charges incurred resulting from negligence and delay in clearing the cargo will be recovered from the clearing agent. However, demurrage charges amounting to Nu.1.323 million were paid to the clearing agent without properly verifying as to who was responsible for the delay. Loading of such charges without properly verifying the causes of delay to Bhutanese Customer is not fair.

Auditee's response:

The management had submitted that there is misinterpretation of certain charges as demurrage charges because the management is not aware of such huge amount having been paid nor has any customer complained for unfairly loading such charges. It was further stated that whatever little demurrage charges that have occurred have been either due to discrepant shipping documents, defective import documents, late receipt of documents or late receipt of containers by the customer, in all of such cases clearing agent cannot be held responsible.

Who is accountable?: *The Managing Director is held accountable to institute proper system of verification of the demurrage charges.*

2. Shortage of stores worth - Nu.0.154 million.

The physical verification of the stock revealed shortages of store items valuing Nu. 0.154 million.

Auditee's response: *The management stated that such differences have been of concern to the management and that over the years several efforts have been made to strengthen the stores management.*

Who is accountable?: *The value of such shortages must be recovered for which the accountability is fixed on the Managing Director.*

3. Irregular payment of overtime allowances - Nu.0.535 million.

The Service Rules of STCBL stipulates that “The Corporation shall pay overtime allowances to employees from Grade 9 and below for any work done beyond normal working hours which may be decided by the Managing Director based on the nature and exigency of work involved.....” In contravention to service rules overtime allowance of Nu.0.535 million were paid to officers of grade 8 and above. Further, approval accorded by the Managing Director for the payment of his allowance to himself is not in line with the rules.

Auditee's response: *The management had stated that it was not an overtime payment but a lump sum monetary compensation for updating the books and records for timely year end audit purposes since several months were engaged in series of audits. It was also mentioned that if the management wishes to withdraw such incentives it might bring down the morale of the staff thus proving it counter productive.*

Who is accountable?: *Rewards should be earned by effectively performing ones duties and responsibilities but not for updating books of accounts which is part of a normal function. Therefore, the whole of the amount must be recovered from the employees, accountability for which is fixed on the Managing Director.*

4. Old outstanding dues - Nu.6.153 million.

An amount of Nu.6.153 million is yet to be realized from the customers ranging from government organizations/employees to private parties for the sale of vehicles, spare parts, heavy machinery, construction materials etc.

***Auditee's
response:***

The management had submitted that cases have been filed in the court against several debtors in phases which are at varying stages of hearing and disposal by the court.

***Who is
accountable?:***

Commercial Organization such as STCBL and backed by very qualified Board Members should by now have a well established debtor management system including the credit rating of the customer. Debtors management is a highly specialized responsibility for which the management should train some of its staff in this area of specialization to mitigate from such happening in future for which the Managing Director should be held accountable.

5. Short deposit of sale proceeds - Nu.0.169 million.

The branch office STCBL, Thimphu had short deposited sale proceeds amounting to Nu.0.169 million. This irregularity was noticed when reconciling whether the proceeds stated to have deposited were reflected in the bank statement. The dealing person has cleverly manipulated the deposit slips.

***Auditee's
response:***

The management had not responded on this issue as of date

***Who is
accountable?:***

It is an indication of a lack of strong internal control system in place. The Managing Director is held accountable to recover the amount with Commercial Interest of 16 % p.a & for instituting proper control system.