

## CORPORATIONS

### 4.33 Kuensel Corporation Ltd., Thimphu.

The Royal Audit Authority during the year had issued 1 report pertaining to Kuensel Corporation, Thimphu. The total irregularities pointed out aggregated to Nu. 8.266 million as summarized below:

Table 4.90 showing the summary of observations with category code and amount involved (Nu.in million)

Sl. No.	Observations in brief	Amount	Category code
1.	Shortfalls & uneconomical operations	4.391	5.12
2.	Irregularities in advances	3.875	5.6
<b>Total</b>		<b>8.266</b>	

As noted above major irregularities pertained to outstanding sundry debtors and advances. The detailed reports of significant irregularities are presented hereunder:

#### 4.33.1 Shortfalls & uneconomical operations - Nu.4.391 million

Sundry debtors balances aggregating to Nu.8.725 million as on 25.5.2005 consisted of Nu.5.917 million recoverable from the government organizations and Nu.2.808 million from private parties. Out of the total amount, Nu.5.474 million pertained to the year 2004 and the balance Nu.3.251 million related to the years 1999 to 2003.

Against the total debtors of Nu.8.725 million, the management intimated collection of Nu.4.334 million leaving a balance of Nu.4.391 million.

##### **Who is accountable?**

*Tshewang Dorji, CCU In-Charge, and Chenchu Tshering, Dy. Managing Director are held accountable.*

#### 4.33.2 Irregularities in advances - Nu. 3.875 million

Advances aggregating to Nu.10.896 million were recoverable from employees, suppliers and other parties as of 31 May 2005, out of which the management had intimated recovery/adjustment of Nu.7.021 million leaving balance of Nu.3.875 million.

##### **Who is accountable?**

*Thinley Dorji, General Manager (F) Chenchu Tshering, Dy. Managing Director are accountable.*

## 4.34 Bhutan Postal Corporation Ltd., Thimphu.

The Royal Audit Authority during the year had issued 1 report pertaining to Bhutan Postal Corporation Ltd., Thimphu. The total significant irregularities pointed out aggregated to Nu.2.377 million and SDR 0.144 million as summarized below:

Table 4.91 showing the summary of observations with category code and amount involved (Nu. in million)

Sl. No.	Observations in brief	Amount	Category code
1	Shortfalls & uneconomical operations	SDR 0.144 & Nu. 0.067	5.12
2	Irregularities in advances	2.052	5.6
3	Over/inadmissible/irregular/double payments	0.258	5.1
<b>Total</b>		<b>SDR 0.144 &amp; Nu. 2.377</b>	

As noted above major irregularities pertained to loss by City Bus service operation, decline in income from transport operations, inadmissible payments and outstanding advances. The detailed reports of the significant irregularities are presented hereunder:

### 4.34.1 Shortfalls & uneconomical operations Nu.0.067 million & SDR 0.144 million

Bhutan Postal Corporation Ltd. had instances of shortfalls and uneconomical operations amounting to Nu. 0.067 million and SDR 0.144 million as summarized in the table below:

Table 4.92 showing shortfalls & uneconomical operations (Nu.in million)

Sl.No	Observations in brief	Amount	IR No. & Date	Who are accountable
1	Decline in income from transport operation	-	IR/DSA/CICD-20/2005/8046 ,20/12/05	Karma Tshering, General Manager, APD and Achyut Bhandari, Managing Director
2	Undue settlement of claims of SDR	SDR 0.144		Leela Pradhan, Manager, Foreign Post and Sonam Tshering, Sr. Regional Manager
3	Debtors from sale of Philatelic items	0.067		Cheda Dukpa, Sr. Manager, and Jigme Tenzin, Dy. Managing Director
<b>Total</b>		<b>0.067 &amp; SDR 0.144</b>		

✚ Analysis of income from transport operations vis-à-vis its expenditures for the years 2001 to 2003 revealed as under:

Table 4.93 showing decrease in income (Nu. in millions)

Sl.No	Particulars	2001	2002	2003	% increase/(decrease) in 2003 over 2001
1	Income	18.727	19.038	17.717	(5.4%)
2	Expenses	15.797	15.367	17.105	8.3%
3	Net Income	2.930	3.672	0.612	(79.1%)

While the income and net income from the transport operations reduced by 5.4 % and a massive 79.1 % respectively, expenses on the other hand had increased by 8.3 %. The management's latest response indicated that cost control initiatives had been undertaken to increase profitability;

- ✚ The Corporation's SDR Accounts showed claims receivable of SDR 0.144 million from various countries on account of International Mail Revenue; and
- ✚ The corporation had debtors amounting to Nu.1.347 million as of 31 December 2004 from sale of philatelic items. Subsequently, the management had received a sum of Nu.1.280 million leaving a balance of Nu.0.067 million.

#### 4.34.2 Irregularities in advances - Nu. 2.052 million

Advances aggregating to Nu.4.848 million, excluding imprest advances, were lying unadjusted as of 31 Dec. 2004. Subsequently Nu.2.796 million had been adjusted/recovered leaving balance of Nu.2.052 million.

##### *Who is accountable?*

*Sonam Palden, Finance Manager, and Jigme Tenzin, Dy. Managing Director are held accountable.*

#### 4.34.3 Over/inadmissible/irregular/double payments - Nu.0.258 million

Bhutan Postal Corporation Ltd. had instances of over / inadmissible / irregular / double payments amounting to Nu.0.258 million as summarized in the table below:

Table 4.94 showing over/inadmissible/irregular/double payments (Nu.in million)

Sl.No	Observations in brief	Amount	IR No.	Who are accountable?
1	Overpayment	0.162	IR/DSA/CI CD-20/2005/80	Sangay Norbu Sr. Regional Manager, and Karma Tshering, General Manager, APD
2	Payment not covered by agreement	0.096	46 ,20/12/05	Kaluram Chhetri, Store In-Charge, Karma Tshering, General Manager, APD
<b>Total</b>		<b>0.258</b>		

- ✚ Excess payment of Nu.0.162 million was made to M/s K.C. Construction due to recording of measurements in the MB in excess of actual quantity of work done; and
- ✚ The rates charged by M/s Balaji Sales Corporation, Jaigoan, India, who had agreed to offer 25% discount on the Company's Price list for the supply of TATA/Telco brand spare parts worth Nu. 0.384 million had exceeded the rates mentioned in the Price List by Nu. 0.096 million. The genuineness of the spare parts supplied could not be ascertained in absence of Part/Serial Numbers on the products.

### **4.35 Bhutan Agro Industries Ltd., Wangchutaba, Thimphu.**

The Royal Audit Authority during the year had issued 1 report pertaining to Bhutan Agro Industries Ltd., Wangchutaba, Thimphu. The total significant irregularities pointed out aggregated to Nu.3.853 million as summarized below:

*Table 4.95 showing the summary of observations with category code and amount involved (Nu.in million)*

Sl. No.	Observations in brief	Amount	Category code
1	Misappropriation	2.123	2.3
2	Shortfalls & uneconomical operations	1.730	5.12
<b>Total</b>		<b>3.853</b>	

As noted above major irregularities pertained to misappropriation of sale proceeds and shortfall and uneconomical operations. The detailed reports of the significant irregularities are presented hereunder:

#### **4.35.1 Misappropriation - Nu.2.123 million**

Based on the management investigation report in 2002 stock shortage and misappropriation of sale proceeds amounting to Nu.2.123 million was found committed by the following three officials and the case was forwarded to the Court.

*Table 4.96 showing non/short accountal (Nu.in million)*

SL. No.	Name, designation and address	Amount	Who are accountable?
1	Tashi Dorji, sales Assistant, Liaison Office, Thimphu	0.176	<i>Tashi Wangdi, Dy. Manager (F) and Phurba Wangdi, Deputy Manager (Marketing)</i>
2	Rinzin Dorji, Liaison Officer, Phuentsholing	0.737	
3	Pema Chopel, Liaison Officer, Thimphu	1.210	
<b>Total</b>		<b>2.123</b>	

### 4.35.2 Shortfalls & uneconomical operations Nu. 1.730 million

Bhutan Agro Industries Ltd., Wangchutaba, Thimphu had instances of shortfalls & uneconomical operations as summarized in the table below:

Table 4.97 showing shortfalls & uneconomical operations (Nu.in million)

Sl. No.	Observations in brief	Amount	IR No. &Date	Who are accountable?
1	Abnormal variation in use and consumption of material	-	IR(RTICD-BAIL)2005-06/7413, 6 /10/05	Ugyen Rinzin, Dy. General Manager (W), and Gyem Dorji, Managing Director
2	Production without clearing the stock balance	-		
3	Outstanding receivables	1.730		Jigme Norbu, Procurement Manager and Ugyen Rinzin, DGM (Works)
<b>Total</b>		<b>1.730</b>		

- As against 60 metric tones of orange and pineapple shown as issued and consumed in extraction of juice and pulp, recovery percentage had been 44.30% and 39.97 % respectively:

Table 4.98 showing recovery percentage from fruits

Sl.No	Name of fruit	Quantity issued /consumed	Quantity extracted	Difference	
				Quantity	Percentage
1	Orange	55,201 Kg	24,455 Kg	30,746 Kg	55.70%
2	Pineapple	4,816 Kg	1,925 Kg	2,891 Kg	60.03%

The extraction records did not enumerate the reasons for the difference;

- 155 units of canned vegetables Asparagus (cut) 450gm were produced in the months of April, May and June 2002 in addition to the available stock balance of 1,835 units. In 2003 the company had produced 199 units thereby accumulating the stock quantity to 2,262 units when the total sale for the year was only 96 units against the target sale of 780 units. The management reported that the stock balance had been reduced; and
- A total sum of Nu.1.730 million including penalty @ 17% was receivable from the Contract Farmers (contract term expired, i.e., more than 5 years) as of 30 June 2005 as under:

Table 4.99 showing outstanding receivables from contract farmers (Nu. in million)

Sl.No	Dzongkhag	Amount	Penalty	Total
1	Thimphu	0.413	0.343	0.756
2	Paro	0.521	0.453	0.974
<b>Total</b>		<b>0.937</b>	<b>0.796</b>	<b>1.730</b>

## 4.36 Penden Cement Authority Ltd., Gomtu, Samtse.

The Royal Audit Authority during the year had issued 1 report of the Penden Cement Authority Ltd., Gomtu, Samtse. The total significant irregularities pointed out aggregated to Nu.0.568 million as summarized below:

Table 4.100 showing the summary of observations with category code and amount involved (Nu.in million)

Sl. No.	Observation in brief	Amount	Category code
1.	Pending disputes & court cases	0.568	5.14
2.	Shortfalls & uneconomical operations	-	5.12
<b>Total</b>		<b>0.568</b>	

As noted above major irregularities pertained to pending disputes & court cases and delay in execution of work. The detailed reports of the significant irregularities are presented hereunder:

### 4.36.1 Pending disputes & court cases - Nu.0.568 million

Out of debtors aggregating to Nu.0.825 million as of 30 November 2004 recoverable through the Court, Nu.0.257 million was subsequently recovered leaving debtors receivable of Nu. 0.568 million.

#### *Who is accountable?*

*S.R. Maity, Sr. General Manager, Finance Division and Sonam Rinchen, General Manager, Sales & Marketing are held accountable.*

### 4.36.2 Shortfalls & uneconomical operations

No liquidated damage was imposed though the Contractor had delayed the commencement of the work by 20 days for construction of Toe Wall for the protection of pipeline below channel 65 and 72. The management submitted that the matter had been taken up with the Construction Development Board for the recovery of the liquidated damages.

#### *Who is accountable?*

*S.R. Maity, Sr. General Manager, Finance Division is held accountable.*

### 4.37 Bhutan Power Corporation Ltd.

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The Royal Audit Authority during the year had issued 4 reports pertaining to the Electricity Services Division, Bhutan Power Corporation Ltd. The major irregularities pointed out aggregated to Nu. 0.124 million as summarized below:

Table 4.101 showing outstanding energy charges (Nu.in million)

Sl.No	Agency	Amount	IR No. & Date	Who are accountable?
1	Trashiyangtse	0.077	RAA/OAAG-SJ/BPCTY(IR-28)2005/3551, 08/08/05	Nandu Rai, Manager
2	Punakha	0.047	IR/RAA-04/Report-56/2005-06/282,18/11/05	Drakchu Dorji, Manager
<b>Total</b>		<b>0.124</b>		

- ✚ Electricity Services Division, Trashi Yangtse, had an outstanding of Nu.0.077 million receivable from the consumers. Dues were more than 90 days old. The management submitted that it will be sent to the board for write off; and
- ✚ Out of outstanding amount of Nu.0.526 million receivable from the consumers pertaining to the period from 1 July 2002 to 24 Oct. 2005, Nu.0.479 million was subsequently recovered leaving a balance of Nu.0.047 million.