

## TABLE OF CONTENTS

### Introduction

1. Objectives
2. Audit Observations and findings
3. Abuse and misuse of authority by the Project Coordinator
4. Irregular advances collected
5. Non-delivery of Stoves after the payment
6. Non-existence of the firm (Ms Arihant Industries)
7. Deceiving and fraudulently collecting the public money (Nu. 2,668,450.00)
8. Non-production of purchase invoices for 240 stoves.
9. Deceiving the beneficiaries by not supplying the sample stoves.
10. Furnishing false statement.
11. Non-utilization of stoves by the beneficiaries owing to the poor quality.
12. Loan for procurement of electrical stoves.
13. Conclusion.

## INTRODUCTION

The Royal Audit Authority has introduced the Annual Audit Report, AG's Advisory Series, AG's occasional paper besides the Inspection reports. While the former have their set objectives, the AG's OCCASSIONAL PAPER is to report major findings that need to draw the urgent attention of the Royal Government of Bhutan.

It attempts to report on the findings of the Special Audit on the of distribution of Electric Stoves to the rural people of Bhutan, through Wood Energy Conservation Project under the National Women Association of Bhutan (NWAB), carried out consequent to the directives of HRH the President of NWAB.

The RAA applauds the initiative of Her Royal Highness in alleviating the hardship of the women in Bhutan and also supporting the national effort to conserve the pristine environment of the Kingdom. We are grateful to Her Royal Highness for the mandate given to us to review the project.

We regret to bring to the kind attention of all concerned that the project was not implemented in the manner it should have been. We are convinced that it was basically the choice in the appointment of the project manager that has failed the project and not the initiative.

The RAA is sad to note that Singey Tobgay who had a track record of poor management was entrusted with such a work that normally a person dedicated to the cause of the upliftment of the disadvantaged persons should have undertaken this noble task. A man with a mission to help the needy and helpless would have made all the difference to the mission of the NWAB.

### 1. Objectives

The objective of the project was aimed to improve the lives and living condition of the rural people at large and women in particular. The project was also expected to reduce the time spent in collecting firewood for fuel,

conserve our forest resources and most importantly improve the health of our rural people.

The project funding was neither from the RGOB nor from any other donor-assisted projects but was collected from the interested public of the following Dzongkhags:

### **Sl. No. Name of Dzongkhags**

1. Haa;
2. Thimphu;
3. Punakha;
4. Zhemgang;
5. Mongar;
6. Trashigang;
7. Paro;
8. Chukha;
9. Wangdue;
10. Bumthang; and
11. Tashiyangtse.

## **2. The audit has recorded following observations and findings:**

### **2.1 Abuse and misuse of authority by the Project Coordinator**

2.1.1 The Wood Energy Conservation Project was allotted an office space in the NWAB's office building. However, the Project Coordinator converted the office space into a residential quarter and was allotted to an employee of the project. It was also noted that the rental charges were not collected till the date of audit.

2.1.2 A **TOYOTA LANDCRUISER** bearing registration No.BG-1-0158 and one Video Camera were allotted to Singey Tobgay for the period of three months. The Project Coordinator had retained the vehicle beyond the specified period. Besides, it was registered as private vehicle BP-1- 4323 which is now being freely driven by the incumbent.

2.1.3 The project coordinator recruited the staff at his discretion without having obtained the approval of the competent authority. Some of the staff were not paid salaries for several months and terminated without giving enough notification. The staff recruited lacked the technical know-how of the electrical appliances as deemed necessary by the nature of the work.

2.1.4 The project had a fund of Nu. 4.4 millions approximately, but no accounting records were maintained and furnished for verification. Cash transactions were carried out through the personal saving accounts of the official maintained both in the Bank of Bhutan and the Bhutan National Bank, Thimphu .

### **2.2 Irregular advances collected**

The advances of Nu. 845,058.00 were collected from the public prior to the actual distribution of the Stoves as below:

Sl. No.	Dzongkhag	Amount (Nu.)	Remarks
1	Punakha	137,368.00	Talo and Guma Geog
2	Tashigang	373,940.00	Kanglung, Bartsham, Bidung and Khaling Geog
3	Tashi Yangtse	333,750.00	Ramjar, Jamkhar and Khamdang Geog
Total		845,058.00	

The delivery of the Stoves took almost eight to nine months in all Dzongkhags thereby temporarily misusing the hard-earned income of the general public.

### 2.3. Non-delivery of Stoves after the payment

The Project Management had not delivered the stoves to twenty households till the date of audit despite the payment of Nu. 19,400.00 as advance. The details of which are shown below:

Sl. No.	Dzongkhag	Geog	No. of households	Advance paid (Nu.)
1	Trashigang	Bartsham	7	7,000.00
2	Trashigang	Bidung	9	9,000.00
3	Punakha	Guma	4	3,400.00
Total				19,400.00

The Project Management must expedite refund of the amount with commercial interest to the concerned beneficiaries.

### 2.4 Non-existence of the firm (M/s Arihant Industries).

Goods were bought in the name of a fictitious company known as M/s.Arihant Industries in Faridabad .

### 2.5 Deceiving and fraudulently collecting the public money (Nu.2,668,450.00)

The rates as per the invoice No. 429 dated 20/6/002 of M/s. Arihant Industries obtained from the supplier in Delhi and from the Regional Revenue & Customs Office, P/ling is tabulated below:

Sl. No.	Type	Quantity (No.)	Rate	Amount (Nu.)	Watt.
1	Double burner	200	1395.00	279,000.00	1250
2	Double burner	600	1566.00	939,600.00	2000
4	Single burner	200	0769.00	153,800.00	1250

Total	1,372,400.00
-------	--------------

As per the invoice, Nu. 1,372,400.00 was shown as the total cost of the stoves.

Further, two types of stoves with different watts and make (EVERY DAY and T) were distributed at rates varying from region to region.



The total cost of stoves amounting to Nu. 4,040,850.00 was realised from the public as tabulated below:

Sl. No.	Region	Type of stove	Rate Nu.	Quantity (nos.)	Amount (Nu.)
1	Eastern	Double burner	3750.00	660	2,475,000.00
2	Eastern	Single burner	2000.00	120	240,000.00
3	Western	Double burner	3500.00	242	847,000.00
4	Western	Single burner	1750.00	159	278,250.00
5	Southern	Double burner	3400.00	059	200,600.00
Total					4,040,850.00

Considering the supplier's rate as the benchmark, the Project Management had charged an excess amount of **Nu. 2,668,450.00** (Nu. 4,040,850.00 minus Nu.1,372,400.00) to the public, which must be recovered with commercial interests .

## **2.6 Non-production of purchase invoices for two hundred and forty (240) stoves**

The purchase invoices showed only 1000 stoves whereas the project had supplied 240 stoves extra to the concerned Dzongkhags through the concerned Gups. Therefore, the purchase invoices for two hundred and forty stoves were not produced for audit verification.

## **2.7 Deceiving the beneficiaries by not supplying the sample stoves**

The physical verification of stoves distributed to the public revealed that the quality, size and brand name of the stoves were not within the parameters of the samples shown during the demonstration. The stoves for the purpose of demonstration were purchased from M/s Dolma Enterprises, Thimphu, which were of **Commands Brand** and the only dealer in Bhutan . The rates charged by M/s. Dolma Enterprises were Nu. 3,500.00 for double burner and Nu.1,750.00 for single burner. Therefore, it is understandable why invariably all the beneficiaries have complained of faulty and inferior quality of stoves.



Different sizes supplied

## **2.8 Furnishing false statement**

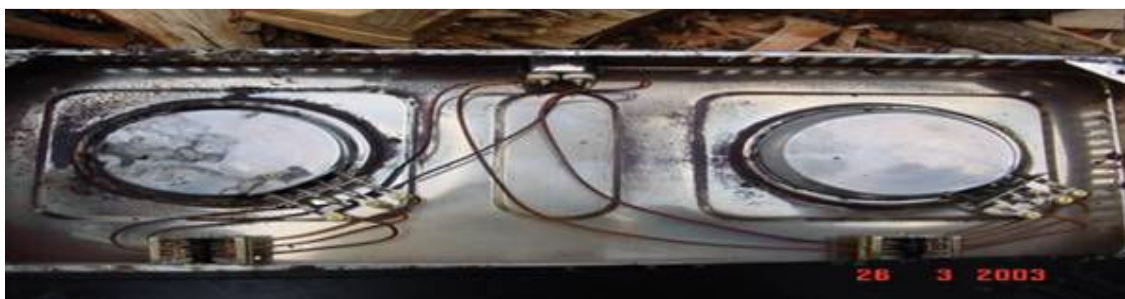
Singey Tobgay had responded that the supply of stoves was contracted to Sonam Jamtsho and that he was only coordinating the project. However, the fact was that all the cash collections were transacted through his personal account No.7349 with the Bank of Bhutan (BOB) and account No. 5019763007 with the Bhutan National Bank (BNB). It was also established from both the banks that he was operating through his personal accounts.

## **2.9 Non-utilization of stoves by the beneficiaries owing to the poor quality**

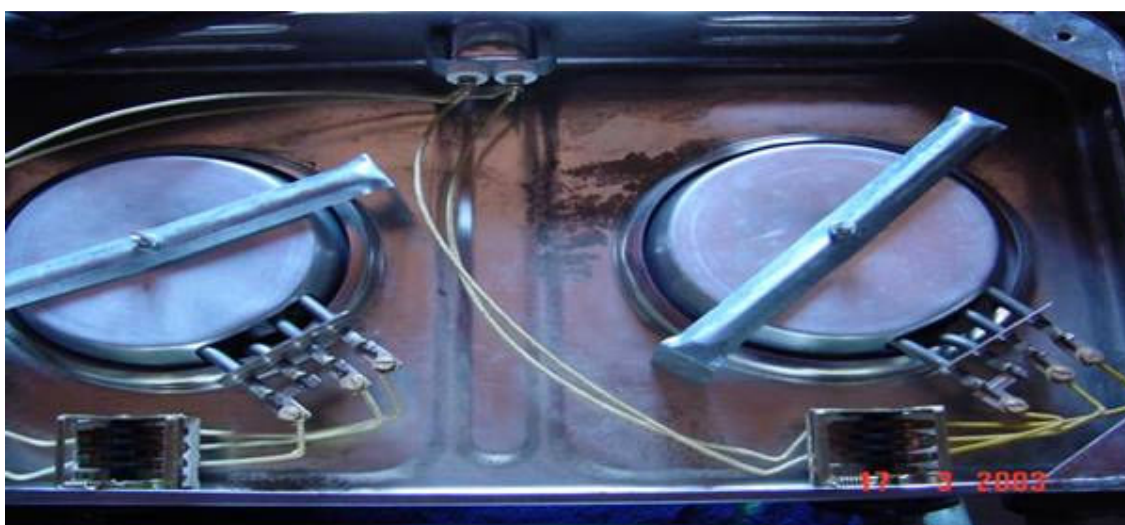
The stoves were found to be of inferior quality thus leading to several problems including electrical shocks while cooking. In some of the Dzongkhags, the communities have not used the stoves, as MCB power capacity installed do not match with the internal load.



*A sample of a better insulated product*



A



B

*(A& B) Samples of two models of T Brand poorly insulated and made*

## **2.10 Loan for procurement of electrical stoves**

The project management had required the public to avail Rural Credit Loan from the M/s Bhutan Development Finance Corporation (BDFC). In the case of Trashi Yangtse Dzongkhag, the project management availed loan directly in advance on behalf of the communities from the M/s BDFC and the balance amounts were paid to the individuals by the Financial Institution. In case of Mongar Dzongkhag, the loans were granted to the public and then paid to the project management. The geog wise beneficiaries who are affected with the burden of the loan are tabulated below:

Sl. No.	Geogs	No. of Households	Amount of loan Sanction (Nu.)	Remarks
1	Jamkhar	36	1,71,750.00	
2	Khamdang	30	1,36,250.00	
3	Ramjar	23	93,750.00	
4	Mongar	17	68,000.00	
5	Chaskhar	30	1,22,000.00	
<b>TOTAL</b>			<b>5,91,750.00</b>	

Therefore, as most of the stoves are spoiled/ damaged and not functional, the rural communities are deprived of the intended facility with the added burden of loan servicing.

### 3. Conclusion

The RAA reports that the officer involved had betrayed the trust and confidence conferred by the HRH the President, National Women Association of Bhutan by deceiving the people and further inflicting a bad image to the National Women Association of Bhutan and the Royal Government of Bhutan in the eyes of the general public.

#### The Audit Report recommended following action to be taken

- i) Immediate suspension from service of Singey Tobgay and administrative proceedings be initiated against him and his accomplices on this case and the previous audit reports that are not resolved;
- ii) NWAB and MTI should carry out review of all other activities carried out by him and administrative or any appropriate action be proceeded under intimation to the RAA;
- iii) MTI and NWAB must also immediately notify general public and Government Authorities not to have any dealing with him on matters concerning the NWAB and Ministry of Trade and Industry; and
- iv) The concerned authorities should take immediate action to recover the excess amount charged to the public by the project management and pay back to the beneficiaries with commercial interest.

It is to be noted that the issues on this report and other reports involving Singay Tobgay were reportedly apprised to the Organisations including the RCSC Secretariat since 2000. The authorities for reasons best known to all the concerned had as of yet not taken any action on the audit reports. The RAA is disheartened on the apathy shown by most of the authorities responsible to take action on these audit findings.