

National Women Association of Bhutan

The Royal Audit Authority had conducted the audit of Wood Energy Conservation Project, National Handloom Development Project and the Headquarter, National Women Association of Bhutan (NWAB). The NWAB and projects during the year 2003 were manned by the following personnel.

Sl. No.	Name of office bearer	Designation
1.	Dasho Dawa Dem	Secretary
2.	Sengye Tobgay	Project Co-ordinator, Wood Energy Conservation Project
3.	Sonam Chhopel	General Manager, National Handloom Development Project, Khaling

The RAA would like to present the audit findings pertaining to the Wood Energy Conservation Project separately and the other two in a consolidated form:

A. Wood Energy Conservation Project.

This part of Annual Audit Report is based on the Special Audit Report on account of distribution of Electric Stoves to the rural people of Bhutan by the Wood Energy Conservation Project under the National Women Association of Bhutan (NWAB).

The RAA had received number of complaints from the public of various Dzongkhags regarding the supply of inferior quality of stoves and thereby deceiving public by over charging the cost of stoves. The complaint also included the variation between the stoves displayed during the demonstration and actual supplies made both in terms of quality and cost. Based on the various complaints and on the instructions of higher authorities Special Audit was thus carried out.

The finding of the audit team is briefly discussed as follows:

1. Deceiving & fraudulently collecting the public money - Nu.2.668 million.

The rates as per the invoice of M/s Arihant Industries obtained from the supplier in Delhi and from the Regional Revenue & Customs Office, Phuntsholing is tabulated below:

Sl. No.	Type	Quantity (No)	Rate(Nu)	Amount (Nu)	Watt
1.	Double Burner	200	1395.00	279,000	1250
2.	Double Burner	600	1566.00	939,600	2000
3.	Single Burner	200	769.00	153,800	1250
	Total			1,372,400	

The above amount was shown as the total cost of the stoves. However, during the field visits of 11 Dzongkhags, total number of stoves distributed to the communities were collected and found that two types of stoves with different watts and different makes were distributed. Even the rates were found different in different regions.

The total cost of stoves amounting to Nu. 4.040 million was apparently realized from the public. Considering the supplier's rate as the bench mark, the project management had collected excess by Nu.2.668 million from the public. The excess amount needed immediate recovery.

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

In order to establish the genuine existence of the firm and its related business on Briquetting Machineries and to further confirm the purchase rate, a visit to the factory in Faridabad and Marketing Office in Delhi was made. According to the invoice referred above M/s Arihant Industries in Faridabad was recorded as the supplier of the stoves. However, the factory is being used for **Hi-Tech Agro Projects (P) Ltd.** This factory manufactures briquette products only as confirmed from the staff of the factory. It was also confirmed that the electric stoves were assembled as per the request of the Project Coordinator, Singey Tobgay in the same factory. Therefore, project co-ordinator was found accountable against the fictitious invoices.

3. Irregular advances collected.

The advances of Nu.0.845 million were found collected from the public prior to the actual distribution of the stoves. The delivery of the stoves took almost 8 to 9 months thereby temporarily misusing the hard-earned income of the general public. Such collection is liable for a commercial interest.

4. Abuse and misuse of authority by the Project Coordinator.

A. The Project Co-ordinator initiated direct recruitment of staff without obtaining approval from the competent authority. It is also proven that some of the staff were not paid the salaries for several months and terminated them without giving enough notification. It was also observed that the staffs recruited were without any knowledge of the electrical appliances.

B. The Project Fund was more than Nu.4.400 million approximately but no accounting records were maintained and furnished for verification. This is evident that all the cash transactions and bank accounts were carried out through his personal saving accounts maintained both in the Bank of Bhutan and Bhutan National Bank, Thimphu. This had resulted into mismanagement of project fund.

5. Non-delivery of Stoves after the payment.

Twenty households had made payments in advance like other beneficiaries as per the instruction of the project management amounting to Nu.0.019 million and till the date of audit the stoves were not delivered, thus putting public trusts and confidence on Royal Government of Bhutan in stake.

6. Deceiving the beneficiaries by not supplying the sample stoves.

The physical verification of stoves distributed to the public in terms of quality, size and brand name and comparing with that of samples shown during demonstration period revealed that the stoves distributed were smaller in size and with different make. The written statement of Oko Tshering (Former employee of the project) also authenticated that the sample and the actual distribution were not the same and were of inferior quality. The samples for demonstration were purchased @ Nu.3500 and Nu. 1750 for double and single burner respectively from M/s Dolma Enterprise, Thimphu. These samples were a “**Commands brand**” and the only dealer in Bhutan. Therefore, it is understandable why invariably all the beneficiaries have complained of faulty and inferior quality of stoves. The supply of stoves of different brand and make had lost public trust and confidence.

7. Furnishing false statement.

Singey Tobgay had responded to audit through Pema Wangdi, Secretary to HRH that the stove supply was contracted to Sonam Jamtsho and he was just co-ordinating the project as a part of the contribution. However, the established fact is that all the cash transactions were executed through his personal accounts maintained both at bank of Bhutan and Bhutan National Bank.

8. Poor quality and non-utilization of stoves by the beneficiaries.

During the field visits, it has been observed that generally all the stoves were faulty and giving several problems including electrical shocks while cooking, getting spoilt faster etc. In some of the Dzongkhags, the communities have not used the stoves as MCB power capacity installed do not match with the internal load. The statements from various Dzongkhags are supporting the observation presented.

9. Loan for procurement of electrical stoves.

The Project Management had initiated the public to avail Rural credit Loan from the Bhutan Development Finance Corporation (BDFC). In the case of Trashy Yangtse Dzongkhag, the project management availed loan directly in advance on behalf of the communities from the BDFC. In case of Mongar Dzongkhag, the loans were granted to the public and then paid to the project management. Therefore, as most of the stoves are spoilt and not functioning/damaged, the rural communities are deprived and taxed with the payment of the principal loan and the accrued commercial interest.

The agencies concerned including the RCSC Secretariat is yet to take action on the reports.

B. NWAB (HQ) & National Handloom Development Project, Khaling.

Table 1.40 showing summary of the observation by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Non-production of tender document	0.100	1.61	18
2.	Procurement without tendering	0.139	2.24	3
3.	Outstanding revenue	3.335	53.68	2
4.	Outstanding Advance	2.639	42.48	1
	Total	6.213	100.00	

1. Non-production of tender document - Nu.0.100 million.

The National Handloom Development Project (NHDP), Khaling had procured computers and accessories valuing Nu.0.100 million. However, in absence of proper documents the actual cost incurred on purchase of computers could not be ascertained.

Auditee's response:

The project management had submitted that the NWAB Head Office in Thimphu was requested to clarify the objection raised by the RAA.

Who is accountable?:

The management must ensure to obtain the appropriate documents in support of any procurement to facilitate verification. Therefore, until such time the para is satisfactorily resolved in audit the General Manager, NHDP, Khaling is held accountable.

2. Procurement of works/goods/services without tendering - Nu.0.139 million.

The NHDP, Khaling had carried out major maintenance of vehicle at M/s Chhimi Automobiles, Changzamtog, Thimphu. A total expenditure of Nu. 0.139 million was incurred during the FY 2000-2001 and 2001-2002. However, quotations for repair and maintenance works were not invited to ensure maintenance through competitive bids thus deviating from the standing norms stipulated in the Procurement Manual.

Auditee's response:

The project management submitted that repairs and maintenance of vehicles was carried out by calling on the spot quotation from three workshops and further assured to comply with the procurement formalities.

Who is

The procurement norms must be respected. Documents as

accountable?: *stated must be furnished for verification. Therefore, the General Manager is held accountable for ensuring strict compliance of procurement rules henceforth.*

3. Outstanding revenue - Nu. 3.335 million.

The NHDP, Khaling had a revenue aggregating to Nu.3.335 million lying outstanding against the officials, customers and Handicraft Development Corporation (HDC), Thimphu. This outstanding is on account of the sale proceeds of the finished products and sale of yarn to the villagers.

Auditee's response: *The project management had stated that a bulk of the above amount is receivable from Handicraft Development Corporation, Thimphu alone who continues to release Nu.0.300 million on quarterly basis. Apart from HDC, some amount is receivable from their own centres, project weavers and few government officials.*

Who is accountable?: *The management must streamline the debtor management to ensure timely realization of the proceeds. While RAA appreciates arrangement made with Handicraft Emporium, all over due outstanding must be realized without further delay and for which the General Manager is held accountable.*

4. Outstanding advance - Nu.2.639 million.

The NWAB HQ had an amount of Nu.2.639 million lying as outstanding against various individuals and other parties. Of the total amount Nu.2.575 million is categorized as prior year advances which means already due for recovery.

Auditee's response: *The management had submitted that an effort is put in to recover the outstanding amount.*

Who is accountable?: *All over due advances adjusted/ recovered with commercial interest of 16% p.a the responsibility to do so falls on the Secretary, NWAB.*