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Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



AIN: 16346

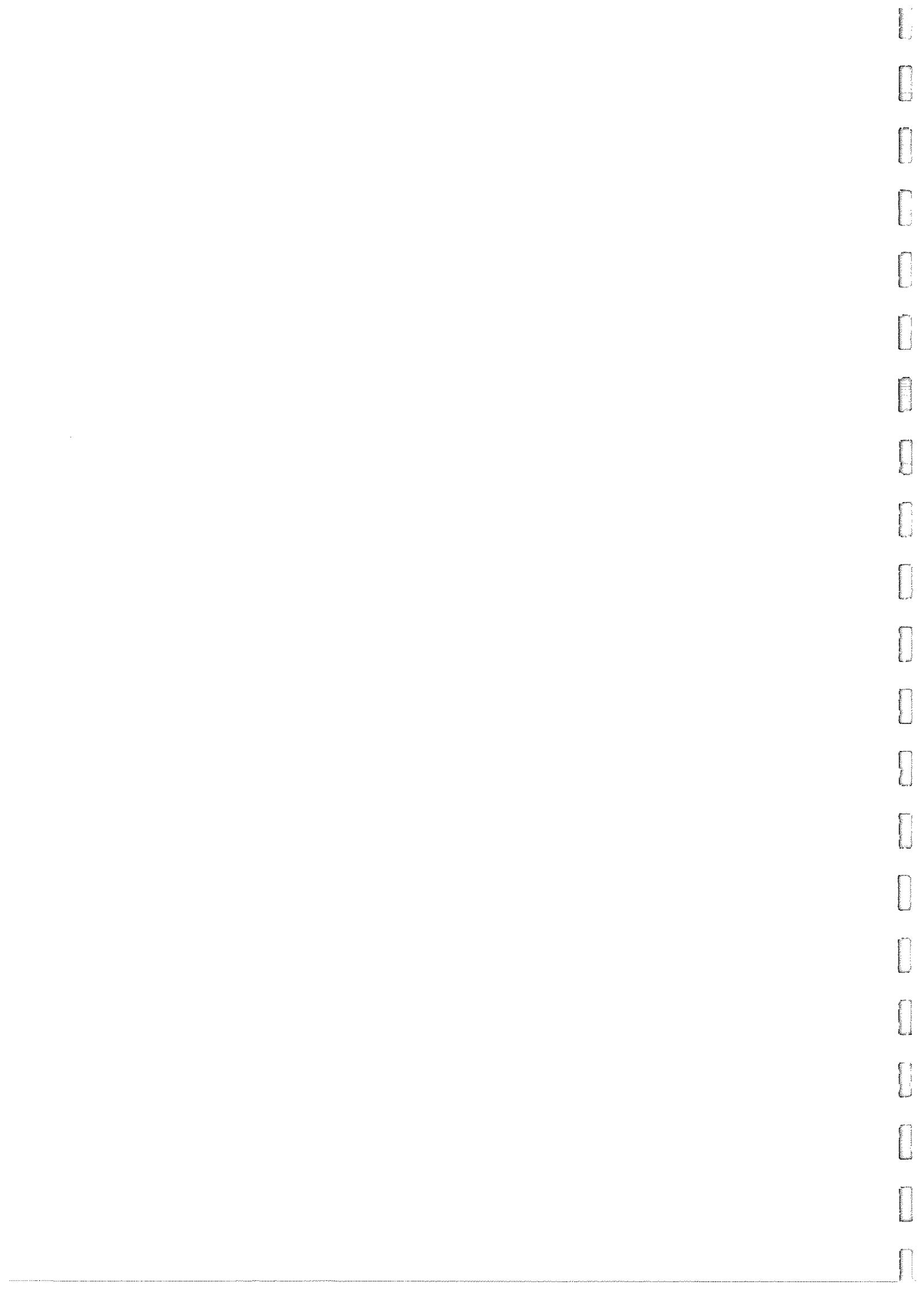
**FINANCIAL AUDIT REPORT OF THE  
ADB FUNDED PROJECT "HEALTH SECTOR  
DEVELOPMENT PROGRAM", SECRETARIAT, MINISTRY  
OF HEALTH (MOH), THIMPHU**

**PERIOD: 01/07/2018 TO 30/06/2019**

**November 2019**

*"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder."  
- His Majesty the King Jigme Khesar Namgyel Wangchuck*

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addressed. It is also aimed at instituting appropriate systems for further improving the accounts, operations and internal controls in the management.

The Royal Audit Authority acknowledges the kind co-operation and assistance extended to the audit team by the officials of the ADB PMPSU, MoH which facilitated the completion of the audit.

### **Achievements**

Notwithstanding the deficiencies and lapses, the RAA has also noted achievements made by the **ADB PMPSU, MoH** during the period under audit, which are detailed in **Annexure-B** of this report.

The Royal Audit Authority acknowledges the kind co-operation and assistance extended to the audit team by the officials of the **ADB PMPSU, MoH**, which facilitated the completion of the audit.

Yours sincerely,



(Tashi Tobgay)  
**Deputy Auditor General**

### **Copy to:**

1. The Hon'ble Secretary, Ministry of Finance, Thimphu
2. The Hon'ble Secretary, Ministry of Health, Thimphu
3. The Director, Directorate Services, Ministry of Health, Thimphu
- ✓ 4. The Project Director, ADB PMPSU, Secretariat, Ministry of Health, Thimphu
5. The AAG, PPAARD, Royal Audit Authority, Thimphu
6. The AAG, Follow-Up & Clearance Division, Royal Audit Authority, Thimphu
7. Office copy

*"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder."*  
*- His Majesty the King Jigme Khesar Namgyel Wangchuck*

**TITLE SHEET**

|     |                                |  |
|-----|--------------------------------|--|
| 1.  | Title                          | : Financial Audit Report of ADB funded 'Health Sector Development Program -BHU-0616', Secretariat, MoH, Thimphu  |
| 2.  | AIN                            | : 16346  |
| 3.  | Head of the Agency             | : Ugen Dophu, Secretary<br>EID No.8901064  |
| 4.  | Project Management             | : Tashi Penjor, Project Director<br>EID No. 200201041<br>Sangay Tenzin, Project Manager<br>CID No. 11107000693   |
| 5.  | Drawing and Disbursing Officer | : 1. Chening Pelden, CFO<br>EID No. 9610067<br>2. Tenzin Peldon, Finance Officer<br>EID No. 201101058<br>(July 2018 to February 2019 )<br>3. Sonam Tashi, Sr. Finance Officer<br>EID No. 201001041<br>(March 2019 to Till Date ) |
| 6.  | Finance Personnel              | : Tshering Peldon, Account Assistant I<br>EID No. 2107091<br>(July 2018 to till date)  |
| 7.  | Period Audited                 | : 01/07/2018 to 30/06/2019   |
| 8.  | Schedule of Audit              | : Start Date: 18/09/2019<br>End Date: 02/09/2019   |
| 9.  | Composition of Teams           | : <b>Team Leader:</b><br>Nima, Audit Officer<br>EID No. 20140103324<br><b>Team Members:</b><br>Lhakpa, Asst. Audit Officer<br>EID No.: 20190113568   |
| 10. | Supervising Officer            | : Gaza Wangchuk, Offtg. AAG<br>EID No. 9209044   |
| 11. | Overall Supervising Officer    | : Tashi Tobgay, Dy. Auditor General<br>EID No. 9811012   |
| 12. | Engagement Letter No           | : RAA/DSA/SCID/ADB-MoH/2019/2308 dated 18 Sept. 2019   |
| 13. | Focal Person                   | : Nima   |
| 14. | Date of Exit Meeting           | : Not required   |

## Acronyms

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|          |   |   |
|----------|---|---|
| AAG      | : | Assistant Auditor General                         |
| ADB      | : | Asian Development Bank                            |
| AFD      | : | Administration and Finance Division               |
| AIN      | : | Audit Information Number                          |
| AR       | : | Audit Report                                      |
| BHU      | : | Basic Health Unit                                 |
| CFO      | : | Chief Finance Officer                             |
| DSA      | : | Department of Sectoral Audit                      |
| DPA      | : | Department of Public Accounts                     |
| EID      | : | Employee Identification Numbers                   |
| FUCD     | : | Follow up and Clearance Division                  |
| GNHC     | : | Gross National Happiness Commission               |
| MoF      | : | Ministry of Finance                               |
| MoH      | : | Ministry of Health                                |
| NLC      | : | National Land Commission                          |
| PAM      | : | Project Administration Manual                     |
| PMPSU    | : | Project Management and Policy Support Unit        |
| PP &AARD | : | Policy, Planning and Annual Audit Report Division |
| SCID     | : | Social, Communication and Information Division    |
| USD      | : | United States Dollar                              |

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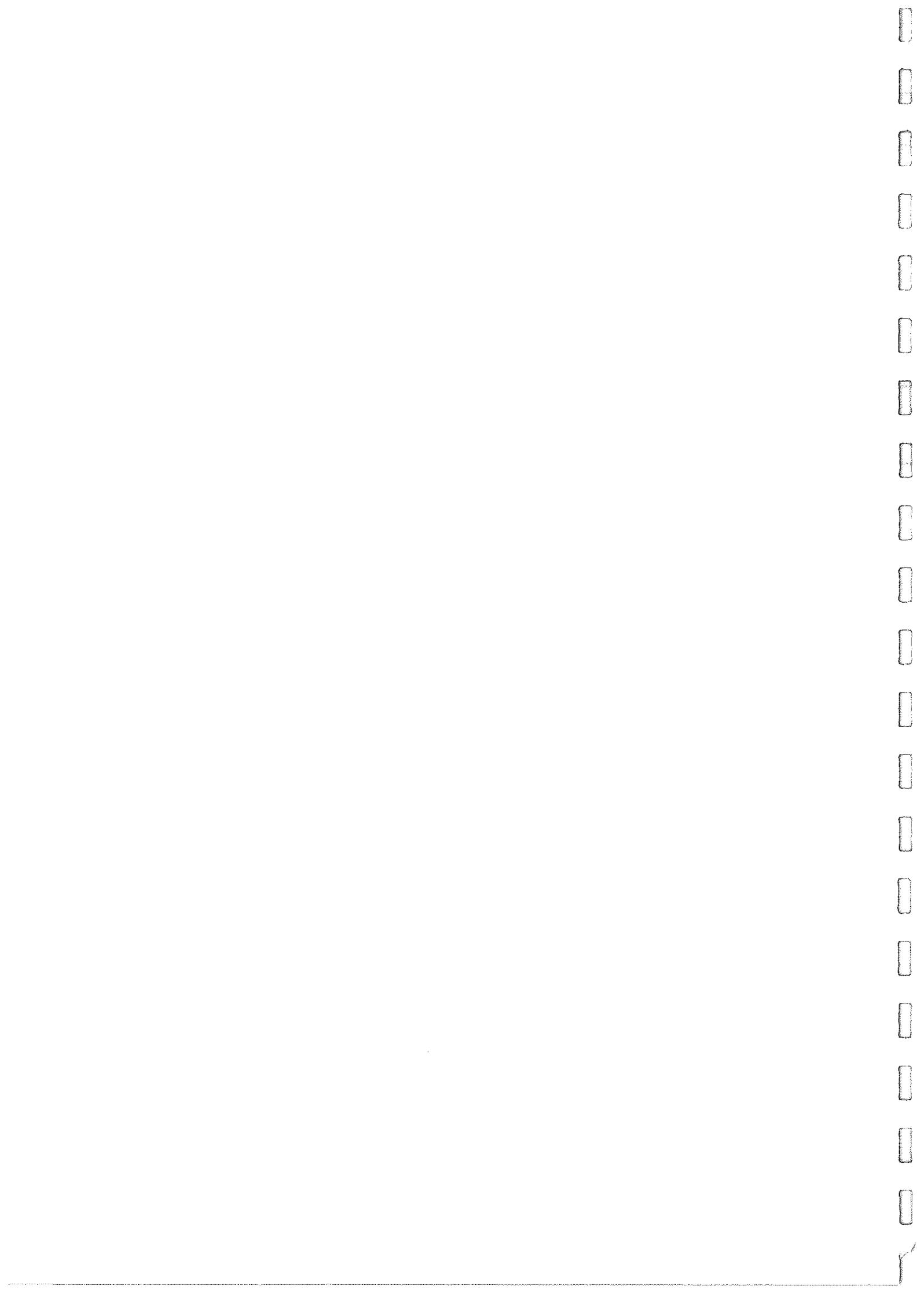
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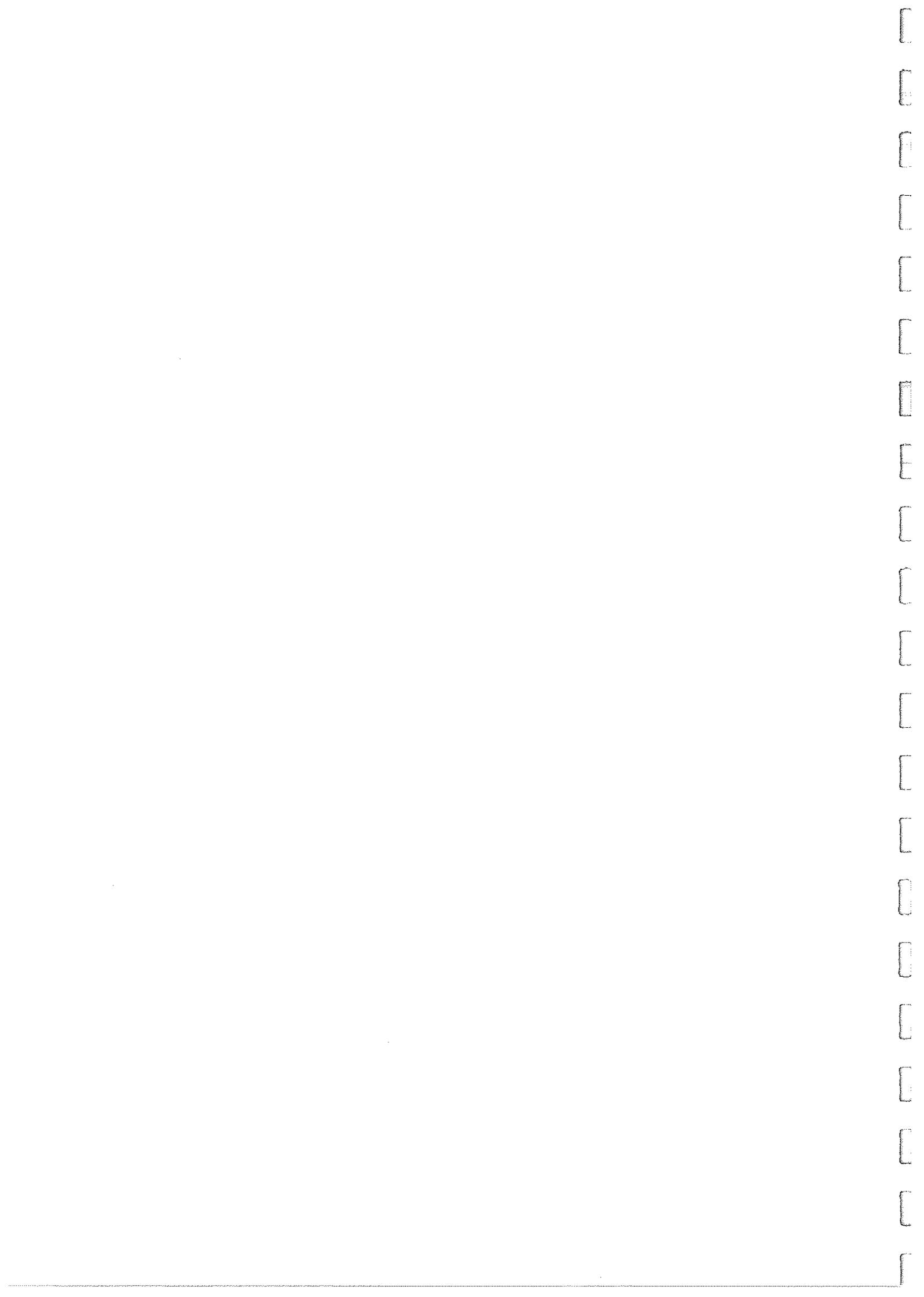
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**AUDITORS' REPORT ON THE  
FINANCIAL STATEMENTS**





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ROYAL AUDIT AUTHORITY

*Bhutan Integrity House*

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



**AUDITORS' REPORT ON FINANCIAL STATEMENTS OF THE ADB FUNDED  
"HEALTH SECTOR DEVELOPMENT PROGRAM (BHU-0616)",  
IMPLEMENTED BY THE SECRETARIAT, MOH, THIMPHU FOR THE  
FINANCIAL YEAR ENDED 30 JUNE 2019**

**Opinion**

We have audited the accompanying financial statements of ADB Funded "Health Sector Development Program (BHU-0616)", implemented by Secretariat, MoH, (PLC Account No. 208.01/2009) which comprise the Receipts and Payments Statement and schedules forming part of financial statements for the financial year ended 30 June 2019.

In our opinion, the financial statements are prepared, in all material respects, in accordance with the Financial Rules and Regulations 2016.

**Basis for Opinion**

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statement* section of our report. We are independent of **ADB Project management, Secretariat, MoH**, in accordance with RAA's Oath of Good Conduct, Ethics and Secrecy of Auditors, and we have fulfilled our responsibilities in accordance with the requirements outlined in this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for preparation of the financial statements in accordance with the Financial Rules and Regulations 2016 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the **ADB Funded "Health Sector Development Program (BHU-0616)** financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ADB project's internal control.

We communicate with the management, among others, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

#### **Other Requirements**

#### **We report that:**

- The flow of funds from the Advance Account and balance thereon could be fairly relied upon. The control mechanism put in place for the operation of the account could also be fairly relied upon;
- The Statement of Expenditure, Statement of Advances and Reconciliation Statement submitted could be fairly relied upon;
- All the expenditure reported and claimed are eligible for financing under the Grant No. BHU 0616;
- The funds provided under the grant No. BHU 0616 have been utilised for the purposes for which they were provided;
- The FOREX conversation rate for fund transfer is recognised on the basis of exchange rate prevailing on the date of transfer of fund to Department of Public Accounts (DPA) from the Advance Account maintained with Royal Monetary Authority (RMA) of Bhutan.
- The expenditure incurred in local currency have been converted to USD at the average exchange rate obtained by dividing the total of exchange rate used for fund transferred in local currency from the Advance Account by the total number of debited in the advance Account maintained by the Royal Monetary Authority;
- The Direct Payment made by the ADB in Foreign Currency has been converted into local currency at the exchange rate prevalent on the date of transaction by the ADB and

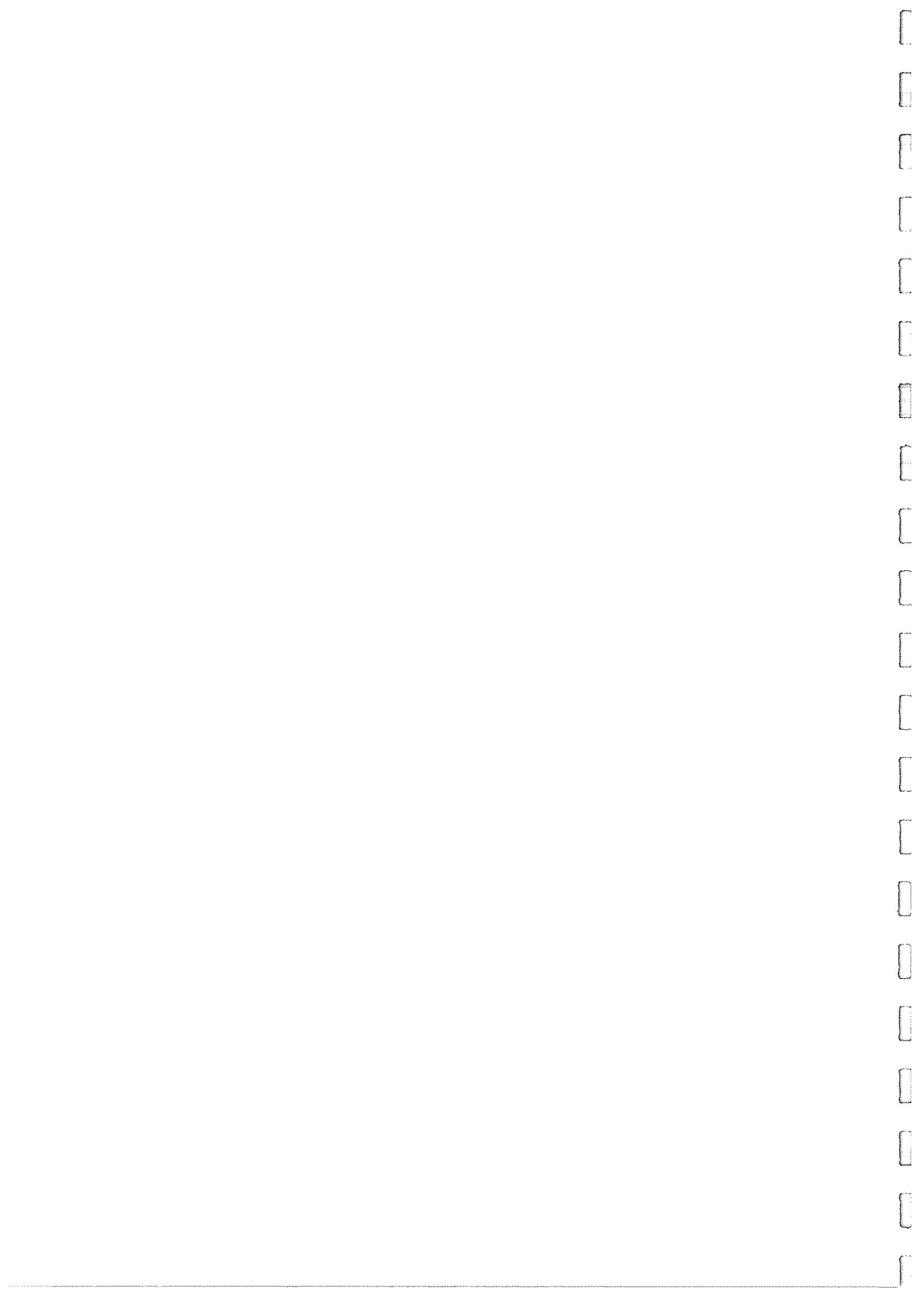
- The overall reconciled fund balance of the Project (ADB) as at 30 June 2019 stand at Nu.17,644,540.78 which is represented by USD 159,572.44 with RMA (Refer Exhibit VI) and local currency of Nu. 6,538,298.96 with DPA as on 30 June 2019 (Refer statement of ADB fund balance (DPA) Exhibit-VI- part II and Reconciliation Statement of the project letter of credit Exhibit VIII).



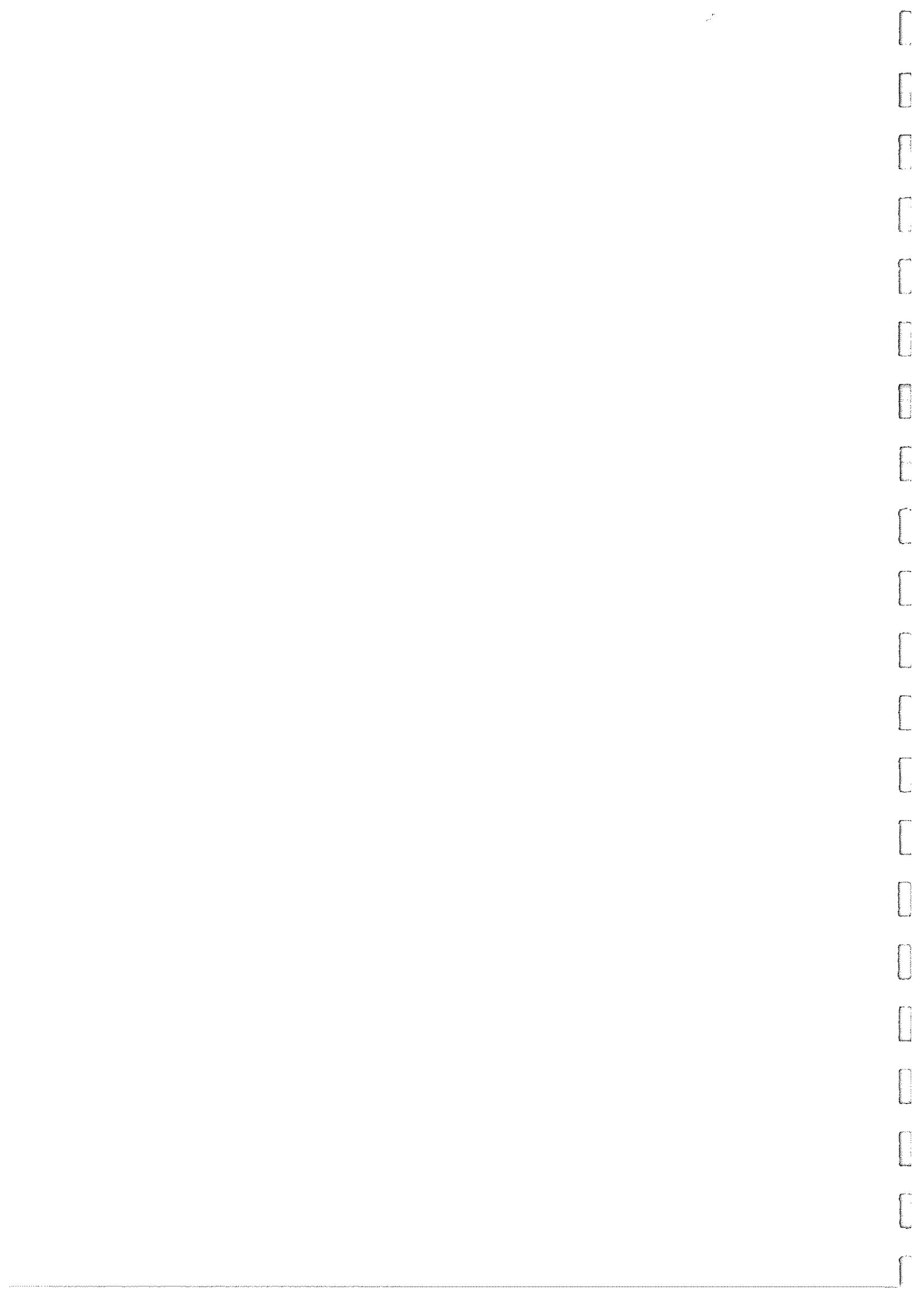
(Gaza Wangchuk)

**Offtg. Assistant Auditor General**

**Date:** 20 November 2019



**ENCLOSURES**



Royal Government of Bhutan  
 Ministry of Health  
 Health Sector Development Program  
 Funded by Asian Development Bank : Grant No: G0616-BHU  
 Consolidated Statement of Expenditure  
 FOR THE FINANCIAL YEAR ENDING 30th June, 2019

| Sl. # | COST CATEGORIES                         | ADB           |            | RGOB         |           | Progressive total as on 30th June 2019 |            |
|-------|---|---------------|------------|--------------|-----------|--|------------|
|       |   | Nu            | USD        | Nu           | USD       | Nu                                     | USD        |
|       | Investment Costs                        |               |            |              |           |  |            |
| 1     | Civil Works                             | 5,000.00      | 71.78      |              |           | 5,000.00                               | 71.78      |
| 2     | Equipment & Furniture                   | 1,509,026.00  | 21,662.73  |              |           | 1,509,026.00                           | 21,662.73  |
| 3     | Training                                | 7,195,869.00  | 103,299.87 |              |           | 7,195,869.00                           | 103,299.87 |
|       | Sub-total A                             | 8,709,895.00  | 125,034.38 |              |           | 8,709,895.00                           | 125,034.38 |
|       | Recurrent Costs                         |               |            |              |           |  |            |
| 4     | PMP/PSU-salaries                        | 1,706,328.00  | 24,495.09  |              |           | 1,706,328.00                           | 24,495.09  |
| 5     | PMP/PSU-Expenses                        | 3,978,551.04  | 57,113.85  |              |           | 3,978,551.04                           | 57,113.85  |
| 6     | In-kind contribution(RGOB Co-financing) |               |            | 2,034,406.00 | 29,204.79 | 2,034,406.00                           | 29,204.79  |
|       | Sub-total B                             | 5,684,879.04  | 81,608.94  |              |           | 7,719,285.04                           | 110,813.74 |
|       | Total Base Cost (A+B)                   | 14,394,774.04 | 206,643.33 |              |           | 16,429,180.04                          | 235,848.12 |
|       | Contingencies                           |               |            |              |           |  |            |
| 1     | Physical Contingencies                  | -             | -          |              |           | -                                      | -          |
| 2     | Price Contingencies                     | -             | -          |              |           | -                                      | -          |
|       | Sub-total C                             | -             | -          |              |           | -                                      | -          |
|       | Total Project Cost (A+B+C)              | 14,394,774.04 | 206,643.33 | 2,034,406.00 | 29,204.79 | 16,429,180.04                          | 235,848.12 |

*[Signature]*  
 Accountant  
 ADB Project  
 MOH

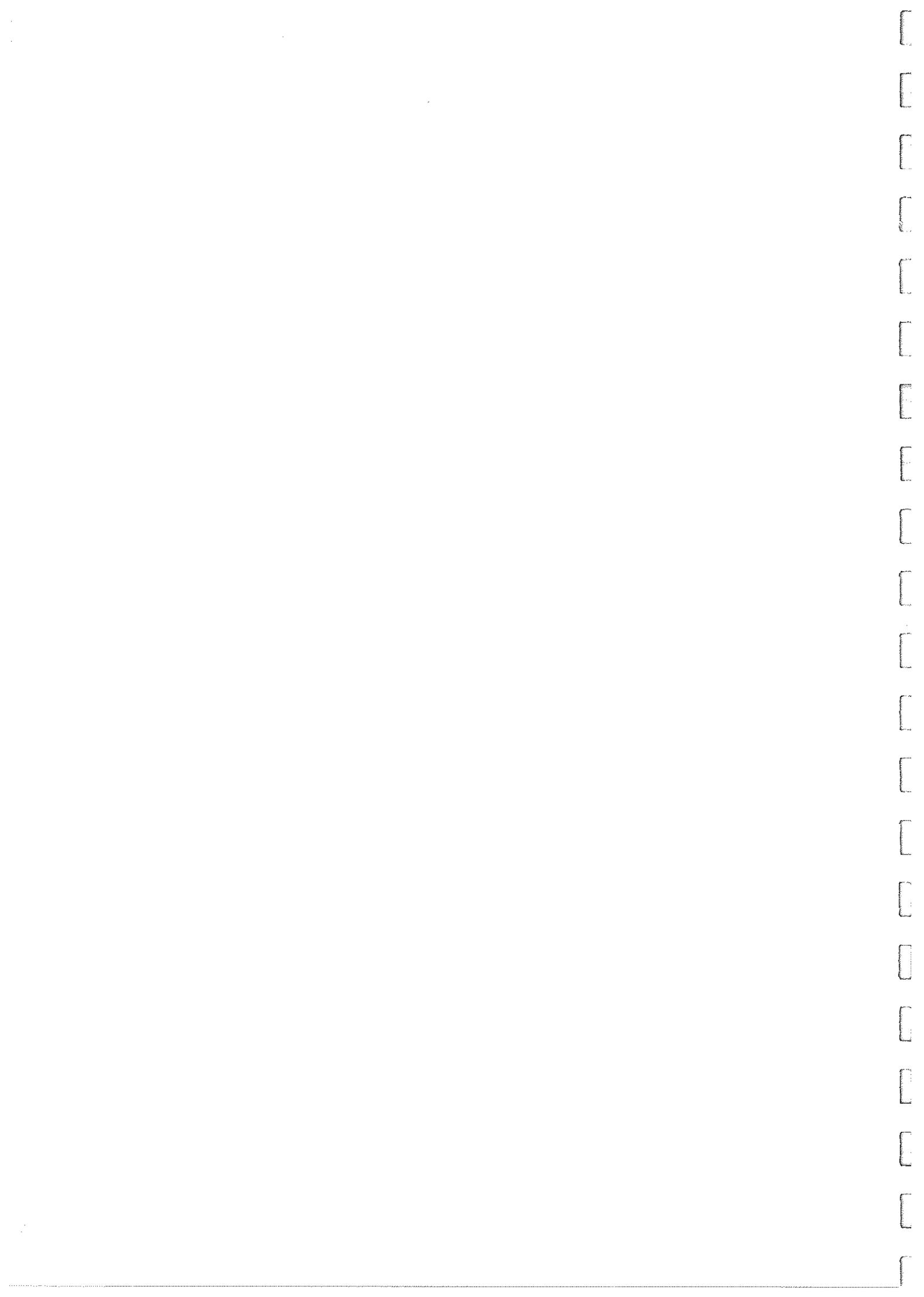
*[Signature]*  
 Chief Programme Officer  
 Ministry of Health  
 Thimphu

*[Signature]*  
 Project Manager  
 PMP/PSU, MOH

*[Signature]*  
 Project Manager  
 Project Management & Policy Support Unit  
 Health Sector Development Program  
 Ministry of Health



*[Signature]*  
 Project Director  
 PMP/PSU, MOH  
 Project Director  
 Project Management & Policy Support Unit  
 Health Sector Development Program  
 Ministry of Health

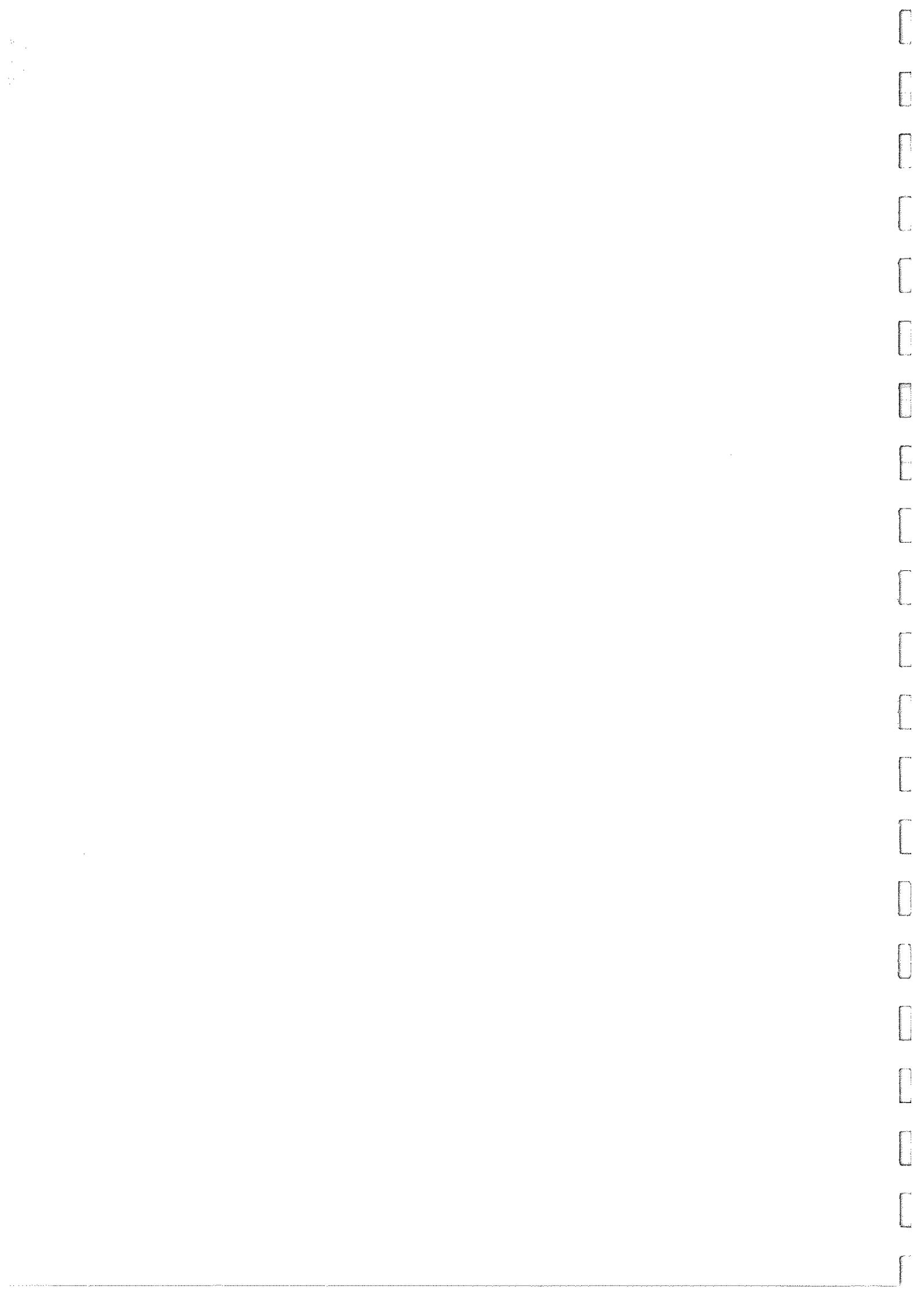


Royal Government of Bhutan  
 Ministry of Health  
 Health Sector Development Program  
 Funded by Asian Development Bank : Grant No: 0616-0111  
**WORKSHEET FOR THE RGOB Co-Financing Expenditure**

| Particulars               | Bill Date | Invoice no.          | Amount       | Remarks |
|---------------------------|-----------|----------------------|--------------|---------|
| country meetings/seminars | 25/08/18  | 3568                 | 22,176.00    |         |
| country meetings/seminars | 16/10/18  | 8528                 | 23,064.00    |         |
| country meetings/seminars | 30/10/18  | 186669               | 29,700.00    |         |
| country meetings/seminars | 2/11/2018 | 186705               | 23,625.00    |         |
| country meetings/seminars | 26/11/18  | 8665                 | 5,423.00     |         |
| country meetings/seminars | 14/12/18  | 8738                 | 13,986.00    |         |
| communication             | Dec,18    |                      | 595.00       |         |
| country meetings/seminars | 11/1/2019 | 8826                 | 4,036.00     |         |
| country meetings/seminars | 17/01/19  | 8826                 | 7,076.00     |         |
| country meetings/seminars | 29/10/18  | 886                  | 12,285.00    |         |
| country meetings/seminars | 3/13/2018 | 187377               | 24,300.00    |         |
| country meetings/seminars | 21/12/18  | 187788               | 29,700.00    |         |
| country meetings/seminars | 21/12/18  | 187765               | 4,665.00     |         |
| country meetings/seminars | 22/01/19  | 8874                 | 3,993.00     |         |
| country meetings/seminars | 1/2/2019  | 8897                 | 740.00       |         |
| communication             | Jan,19    | Z18002531567-JAN-19  | 590.00       |         |
| country meetings/seminars | 8/2/2019  | 8914                 | 1,918.00     |         |
| country meetings/seminars | 11/3/2019 | 8915                 | 740.00       |         |
| country meetings/seminars | 18/02/19  | 8934                 | 3,384.00     |         |
| country meetings/seminars | 20/02/19  | 8959                 | 2,052.00     |         |
| country meetings/seminars | 28/02/19  | 8968                 | 4,818.00     |         |
| country meetings/seminars | 1/3/2019  | 8969                 | 1,913.00     |         |
| country meetings/seminars | 5/3/2019  | 8990                 | 740.00       |         |
| communication             | Feb.,19   | Z180026411546-FEB-19 | 419.00       |         |
| country meetings/seminars | 15/03/19  | 9016                 | 25,805.00    |         |
| country meetings/seminars | 26/03/19  | 9065                 | 3,876.00     |         |
| communication             | March,19  | Z18002757240-MAR-19  | 454.00       |         |
| country meetings/seminars | 1/4/2019  | 9135                 | 15,195.00    |         |
| country meetings/seminars | 16/04/19  | 9144                 | 740.00       |         |
| country meetings/seminars | 25/04/19  | 9194                 | 740.00       |         |
| country meetings/seminars | 26/04/19  | 9157                 | 7,680.00     |         |
| communication             | April,19  | Z18002810248-APR-19  | 942.00       |         |
| communication             | May       | Z18002924977         | 754.00       |         |
| communication             | June,19   | Z18003041017         | 852.00       |         |
| country meetings/seminars | 8/5/2019  | 9221                 | 1,796.00     |         |
| country meetings/seminars | 24/05/19  | 9287                 | 3,405.00     |         |
| country meetings/seminars | 28/05/19  | 9406                 | 1,720.00     |         |
| country meetings/seminars | 31/05/19  | 9420                 | 1,140.00     |         |
| country meetings/seminars | 14/06/19  | 9448                 | 592.00       |         |
| country meetings/seminars | 27/06/19  | 9367                 | 814.00       |         |
| in Penpa, PD              |           |                      | 442,990.00   |         |
| tzang Wangmo, Sr. PO      |           |                      | 341,945.00   |         |
| senge Pelden, Asst        |           |                      | 245,465.00   |         |
| in Lhundup                |           |                      | 256,070.00   |         |
| in Chozom, PO             |           |                      | 187,630.00   |         |
| total                     |           |                      | 2,034,406.00 |         |

*[Signature]*  
 Chief Finance Officer  
 Ministry of Health  
 Thimphu

*[Signature]*



Royal Government of Bhutan  
Ministry of Health  
*Health Sector Development Program*  
Funded by Asian Development Bank : Grant No: G0616-BHU  
Statement of Expenditure (ADB)  
FOR THE FINANCIAL YEAR ENDING 30th June, 2019

Exhibit II

| SL# | COST CATEGORIES            | ADB           |            | Progressive total as on 30th June 2019 |            |
|-----|----------------------------|---------------|------------|--|------------|
|     |                            | Nu            | USD        | Nu                                     | USD        |
| A   | Investment Costs           |               |            |  |            |
| 1   | Civil Works                | 5,000.00      | 71.78      | 5,000.00                               | 71.78      |
| 2   | Equipment & Furniture      | 1,509,026.00  | 21,662.73  | 1,509,026.00                           | 21,662.73  |
| 3   | Training                   | 7,195,869.00  | 103,299.87 | 7,195,869.00                           | 103,299.87 |
|     | Sub-total A                | 8,709,895.00  | 125,034.38 | 8,709,895.00                           | 125,034.38 |
| B   | Recurrent Costs            |               |            |  |            |
| 4   | PMPSU-salaries             | 1,706,328.00  | 24,495.09  | 1,706,328.00                           | 24,495.09  |
| 5   | PMPSU-Expenses             | 3,978,551.04  | 57,113.85  | 3,978,551.04                           | 57,113.85  |
|     | Sub-total B                | 5,684,879.04  | 81,608.94  | 5,684,879.04                           | 81,608.94  |
|     | Total Base Cost (A+B)      | 14,394,774.04 | 206,643.33 | 14,394,774.04                          | 375,103.14 |
| C   | Contingencies              |               |            |  |            |
| 1   | Physical Contingencies     | -             | -          | -                                      | -          |
| 2   | Price Contingencies        | -             | -          | -                                      | -          |
|     | Sub-total C                | -             | -          | -                                      | -          |
|     | Total Project Cost (A+B+C) | 14,394,774.04 | 206,643.33 | 14,394,774.04                          | 206,643.33 |

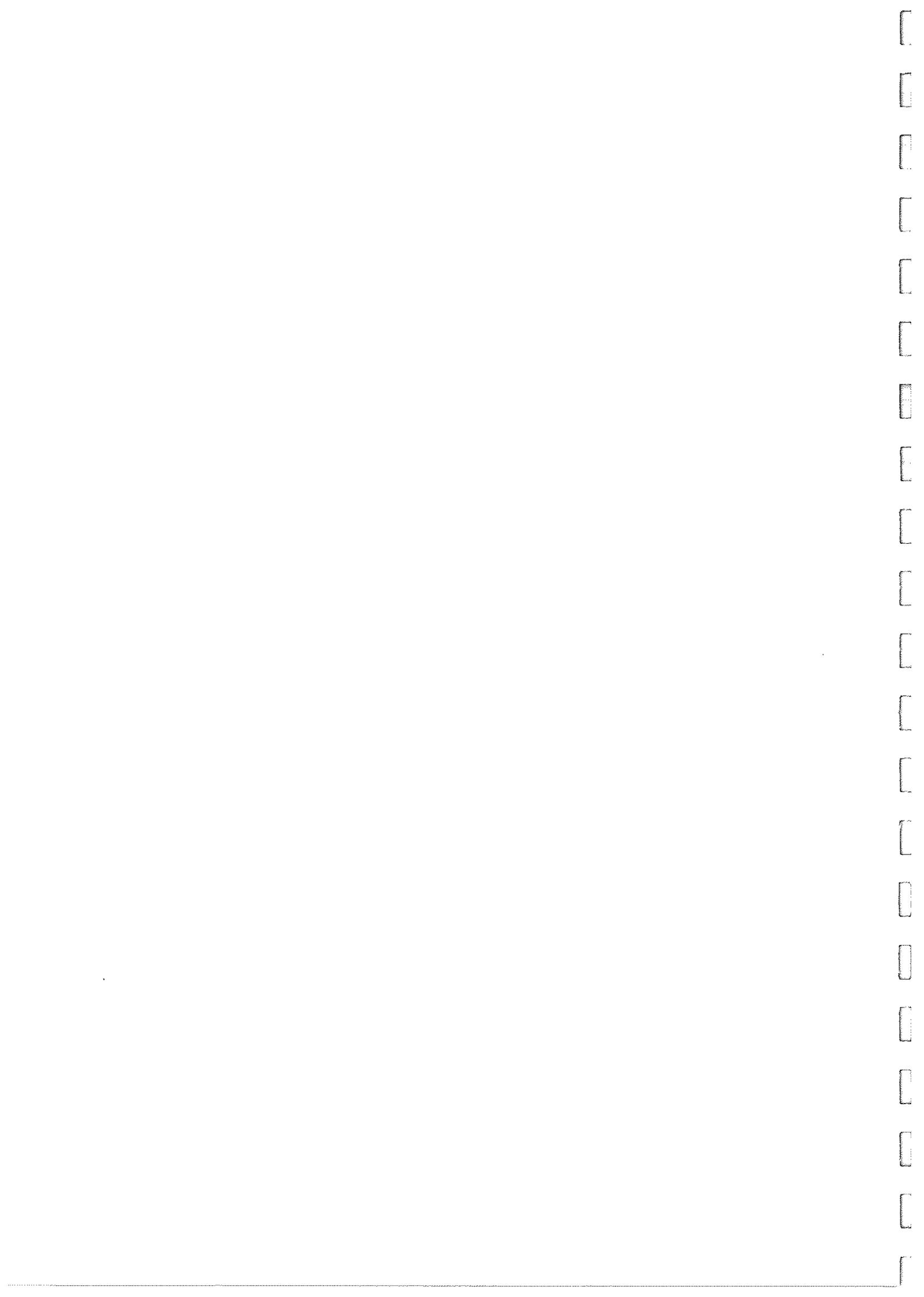
*[Signature]*  
Accountant  
ADB Project  
MOH

*[Signature]*  
Chief Finance Officer  
Head of Finance  
Ministry of Health  
Thimphu



*[Signature]*  
Project Manager  
PMPSU, MOH  
Project Manager  
Project Management & Policy Support Unit  
Health Sector Development Program  
Ministry of Health

*[Signature]*  
Project Director  
PMPSU, MOH  
Project Director  
Project Management & Policy Support Unit  
Health Sector Development Program  
Ministry of Health



Royal Government of Bhutan  
Ministry of Health  
*Health Sector Development Program*  
Funded by Asian Development Bank : Grant No: G0616-BHU  
Statement of Expenditure (RGOB)  
FOR THE FINANCIAL YEAR ENDING 30th June, 2019

| SL # | COST CATEGORIES                   | RGOB                |                  | Progressive total as on 30th June |                  |
|------|-----------------------------------|---------------------|------------------|-----------------------------------|------------------|
|      |                                   | Nu                  | USD              | Nu                                | USD              |
| A    | <b>Recurrent Costs</b>            |                     |                  |                                   |                  |
|      | 1                                 | 284,345.00          | 4,081.90         | 284,345.00                        | 4,081.90         |
|      | 2                                 | 4,496.00            | 64.54            | 4,496.00                          | 64.54            |
|      | 3                                 | 1,745,565.00        | 25,058.35        | 1,745,565.00                      | 25,058.35        |
|      | <b>Sub-total A</b>                | <b>2,034,406.00</b> | <b>29,204.79</b> | <b>2,034,406.00</b>               | <b>29,204.79</b> |
| B    | <b>Recurrent Costs</b>            |                     |                  |                                   |                  |
|      | 4                                 | -                   | -                | -                                 | -                |
|      | 5                                 | -                   | -                | -                                 | -                |
|      | 6                                 | -                   | -                | -                                 | -                |
|      | <b>Sub-total B</b>                |                     |                  |                                   |                  |
|      | <b>Total Base Cost (A+B)</b>      | <b>2,034,406.00</b> | <b>29,204.79</b> | <b>2,034,406.00</b>               | <b>29,204.79</b> |
| C    | <b>Contingencies</b>              |                     |                  |                                   |                  |
|      | 1                                 | -                   | -                | -                                 | -                |
|      | 2                                 | -                   | -                | -                                 | -                |
|      | <b>Sub-total C</b>                |                     |                  |                                   |                  |
|      | <b>Total Project Cost (A+B+C)</b> | <b>2,034,406.00</b> | <b>29,204.79</b> | <b>2,034,406.00</b>               |                  |

Exhibit III

*[Signature]*  
Accountant  
ADB Project

*[Signature]*  
Chief Finance Officer  
Ministry of Health  
Thimphu



*[Signature]*  
Project Manager  
Project Management & Policy Support Unit  
Ministry of Health

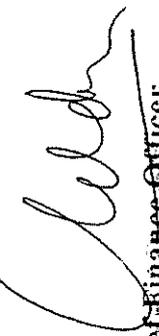
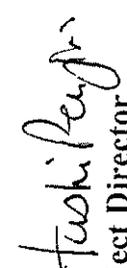
*[Signature]*  
Project Director  
PMPSU, MOH  
Project Director  
Project Management & Policy Support Unit  
Health Sector Development Program  
Ministry of Health

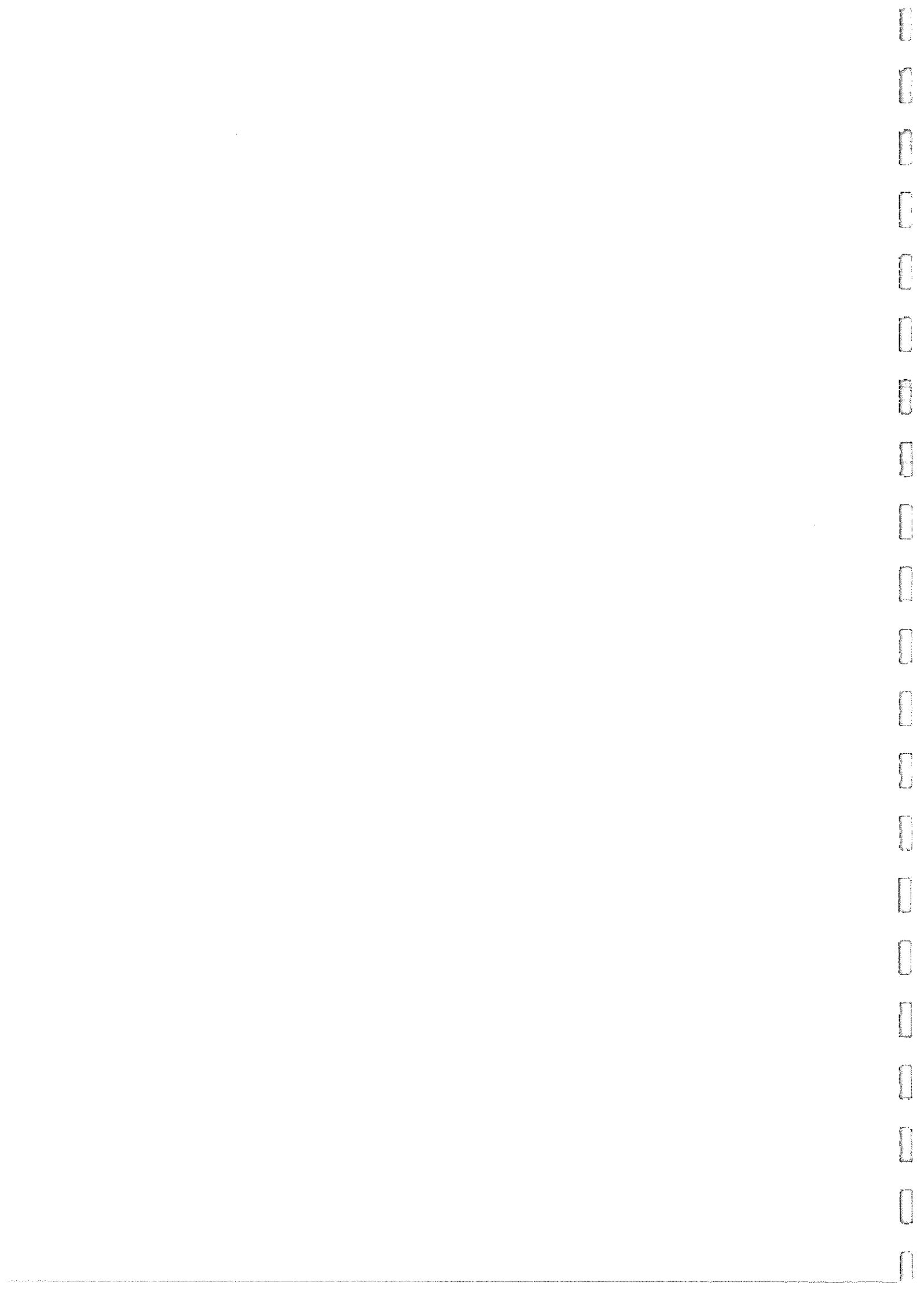


**Ministry of Health**  
**Health Sector Development Program**  
*Funded by Asian Development Bank : Grant No: G0616-BHU*  
**For the period 1st July 2018- 30th June 2019**  
**Statement of Fund Releases from DPA**

Exhibit IV

| Sl.# | Release No                     | Date       | current Amount      | Capital Amount       | Total                |
|------|--------------------------------|------------|---------------------|----------------------|----------------------|
| 1    | BR.2019.6.23122(pre-financing) | 20/08/2018 | 2,505,000.00        | 2,825,000.00         | 5,330,000.00         |
| 2    | BR.2019.6.10465                | 10/5/2019  |                     | 4,299,000.00         | 4,299,000.00         |
| 3    | BR.2019.6.10904                | 15/5/2019  |                     | 375,000.00           | 375,000.00           |
| 4    | BR.2019.6.15431                | 12/6/2019  |                     | 18,072,000.00        | 18,072,000.00        |
| 5    | BR.2019.6.15761                | 12/6/2019  | 733,000.00          |                      | 733,000.00           |
| 6    | BR.2019.6.16937                | 14/6/2019  |                     | 4,034,324.00         | 4,034,324.00         |
|      | <b>Total Releases</b>          |            | <b>3,238,000.00</b> | <b>29,605,324.00</b> | <b>32,843,324.00</b> |

|  |   |   |
|--|---|---|
| <br><b>Project Accountant</b>   | <br><b>Chief Finance Officer</b><br>Ministry of Health<br>Thimphu  |  |
| <br><b>Project Manager</b><br>Project Manager<br>Project Management & Policy Support Unit<br>Health Sector Development Program<br>Ministry of Health | <br><b>Project Director</b><br>Project Director<br>Project Management & Policy Support Unit<br>Health Sector Development Program<br>Ministry of Health |   |



Royal Government of Bhutan  
Ministry of Health

*Health Sector Development Program*

Funded by Asian Development Bank : Grant No: G0616-BHU

For the period 1st July 2018- 30th June 2019

Details of Direct Payment made by ADB HQ

Exhibit-V

| Name of Suppliers/Contractor | PCSS No | Category | Amount in USD     | Exchange Rate | Amount in NU         |
|------------------------------|---------|----------|-------------------|---------------|----------------------|
| UNICEF                       | G20235  | 3601     | 341,624.08        | 69.65         | 23,794,117.17        |
| <b>Total</b>                 |         |          | <b>341,624.08</b> |               | <b>23,794,117.17</b> |

*[Signature]*  
Project Accountant

*[Signature]*  
Chief Financial Officer  
Ministry of Health  
Thimphu

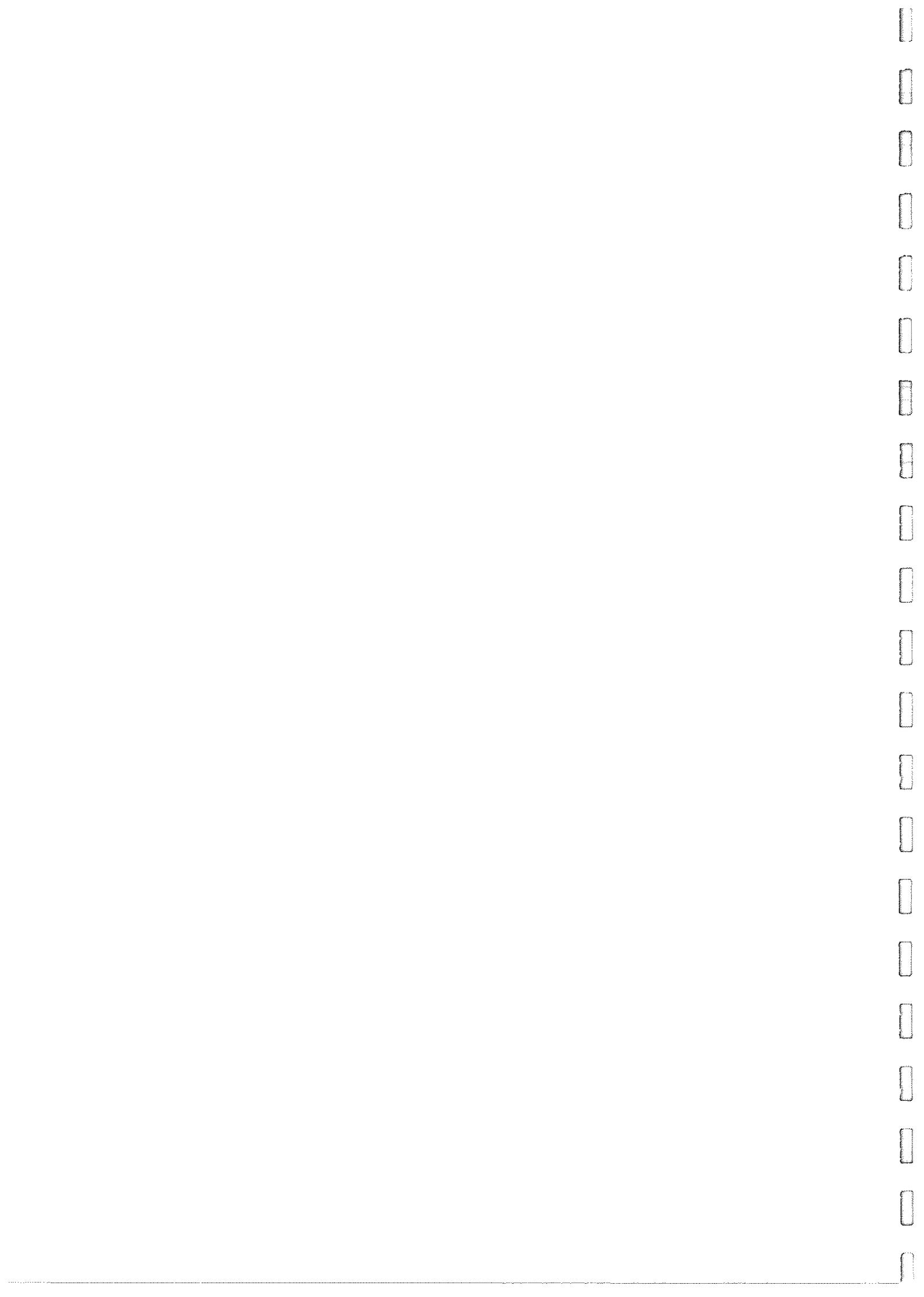
*[Signature]*  
Project Manager

*[Signature]*  
Project Director

Project Director  
Project Management & Policy Support Unit  
Health Sector Development Program  
Ministry of Health

Project Manager  
Project Management & Policy Support Unit  
Health Sector Development Program  
Ministry of Health





Royal Government of Bhutan  
 Ministry of Health  
**Health Sector Development Program**  
 Funded by Asian Development Bank : Grant No: G0616-BHU  
 For the period 1st July 2018- 30th June 2019  
 Statement of Advance Account

Exhibit VI

| Particulars   | Amount (in USD) |            | Rate  | Amount in Nu  |
|---|-----------------|------------|-------|---------------|
|   | Debit           | Credit     |       |               |
| 01.07.2018 Opening Balance as of 1st July 2018          |                 | 0          |       | 0             |
| Funds received from ADB as on 30th June 2018            |                 | 580,936.86 |       |               |
| <b>Funds released to DPA</b>                            |                 |            |       |               |
| 1st Release RMA/DB/FC-2202088/2018-19/6555 dt.9/5/2019  | 61,909.56       |            | 69.44 | 4,299,000.00  |
| 2nd Release RMA/DB/FC-2202088/2018-19/6693 dt.15/5/2019 | 85,482.26       |            | 70.19 | 6,000,000.00  |
| 3rd Release RMA/DB/FC-2202088/2018-19/7246 dt.11/6/2019 | 273,972.60      |            | 69.35 | 19,000,000.00 |
| Total Receipts  | 421,364.42      |            |       | 29,299,000.00 |
| Balance with RMA as on 30/6/2019                        |                 | 159,572.44 |       |               |

Funded by Asian Development Bank : Grant No: G0616-BHU  
 For the period 1st July 2018- 30th June 2019  
 Statement of fund balance with DPA

Exhibit VI(part II)

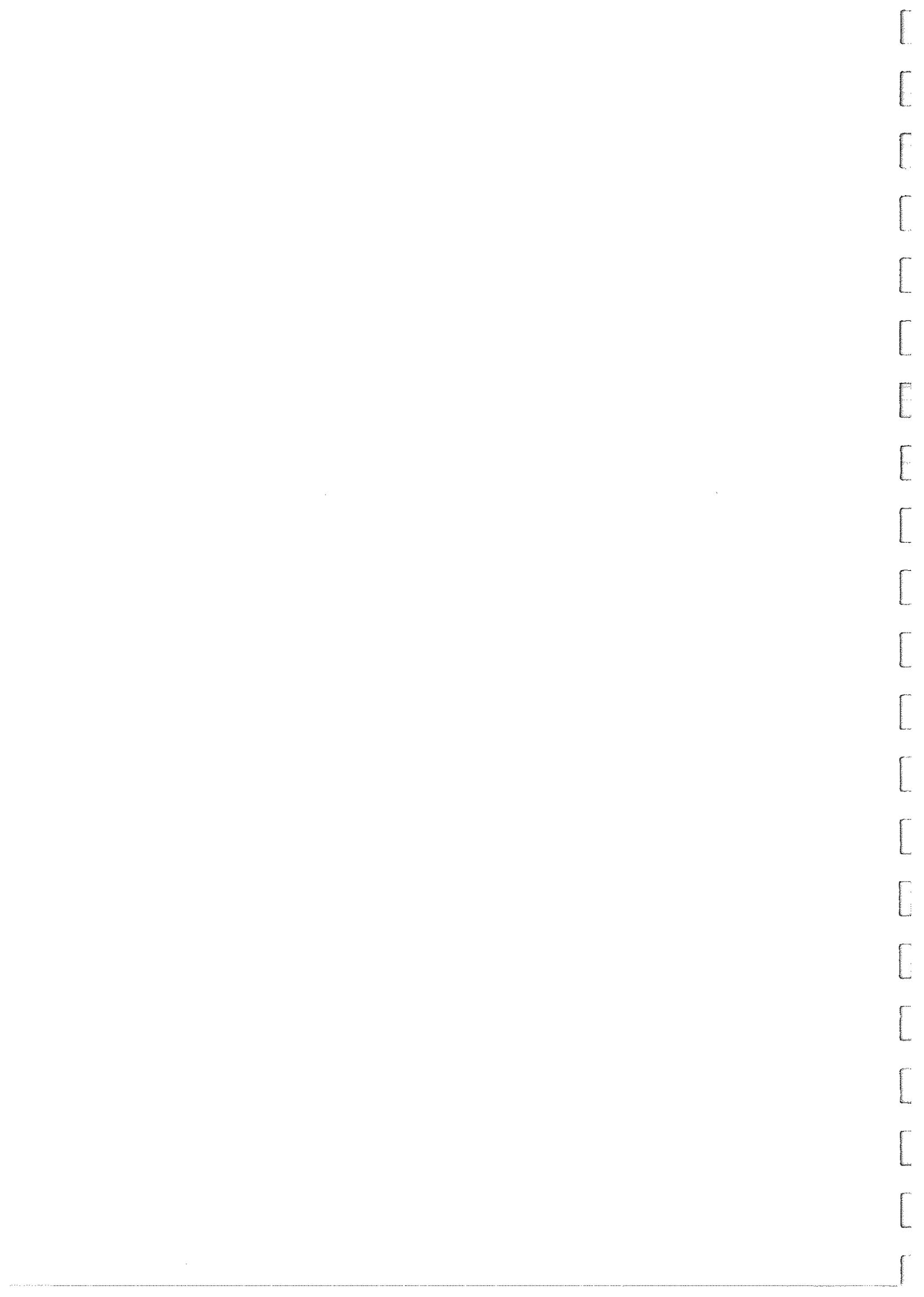
| Particulars   | Amount     |              | Remarks |
|---|------------|--------------|---------|
|   | USD        | Nu           |         |
| 01.07.2018 Opening Balance (brought forward last Fys ADB lapsed fund as of 1st July 2018) | -          | -            |         |
| Funds released from RMA   | 580,936.86 | -            |         |
| Funds released to DPA   | 421,364.42 | 2,929,900.00 |         |
| Total Receipts  | -          | 2,929,900.00 |         |
| Closing Balance at DPA as on 30th June 2019   | 93,941.08  | 6,538,298.96 |         |






ADB Project Manager  
 Project Manager  
 Head of Finance  
 Project Director  
 MOH  
 Project Management & Policy Support Unit  
 Health Sector Development Program  
 Ministry of Health  
 Thimphu  
 Project Management & Policy Support Unit  
 Health Sector Development Program  
 Ministry of Health





Ministry of Health  
 Health Sector Development Program  
 Funded by Asian Development Bank : Grant No: G0616-BHU  
 For the period 1st July 2018- 30th June 2019  
 Computation of Average Exchange Rate

Exhibit VII

| Sl.# | Fund Transferred from RMA to DPA in USD | Exchange rate |
|------|---|---------------|
| 1    | 61,909.56                               | 69.44         |
| 2    | 85,482.26                               | 70.19         |
| 3    | 273,972.60                              | 69.35         |
|      | <b>Total</b>                            | 208.98        |
|      | <b>Average - Total/3</b>                | <b>69.66</b>  |

Note:-

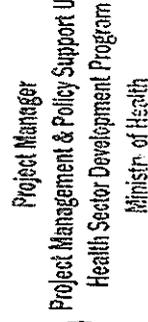
- 1 The total of exchange rates divided by the number of times funds transferred from RMA to DPA is used to derive the Average Exchange rate.
- 2 The Average Exchange Rate derived above has been used for depicting the expenditures incurred in USD.
- 3 Direct Payment made by the ADB HQ to UNICEF has been converted to Ngultrum as on the day of the transfer.
- 4 The rates mentioned above are the prevailing rates of exchange on the days fund are transferred from RMA to DPA .
- 5 Closing Balance is taken at the Exchange rate as on 30th June, 2019.

  
 Project Accountant

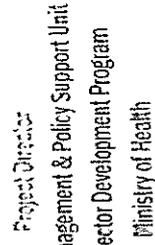
  
 Chief Finance Officer  
 Ministry of Health  
 Thimphu



  
 Project Manager

  
 Project Manager  
 Project Management & Policy Support Unit  
 Health Sector Development Program  
 Ministry of Health

  
 Project Director

  
 Project Director  
 Project Management & Policy Support Unit  
 Health Sector Development Program  
 Ministry of Health



**Royal Government of Bhutan**  
**Ministry of Health**  
**Health Sector Development Program**  
**Funded by Asian Development Bank : Grant No: G0616-BHU**  
**For the period 1st July 2018- 30th June 2019**  
**Statement of fund balance reconciliation with DPA**

Exhibit VIII

| SL# | Particulars  | Amount in BTN |       | Exchange Rate | USD        | Remarks |
|-----|--|---------------|-------|---------------|------------|---------|
|     |  | BTN           | USD   |               |            |         |
| A   | Total Fund Received from Department of Public Accounts | 32,843,324.00 | 69.66 |               | 471,480.39 |         |
| B   | Total Expenditure as of 30 June 2019                   | 14,394,774.04 | 69.66 |               | 206,643.33 |         |
| C   | Total outstanding advance                              | 11,910,251.00 | 69.66 |               | 170,976.90 |         |
| D   | Prior Year Advances Adjustment                         | -             |       |               | -          |         |
| E   | Balance with DPA = A-(B+C+D)                           | 6,538,298.96  | 69.60 |               | 93,941.08  |         |
|     | Cash Balance -   | 2,251.00      |       |               |            |         |
|     | Bank Balance-  | 6,536,047.96  |       |               |            |         |

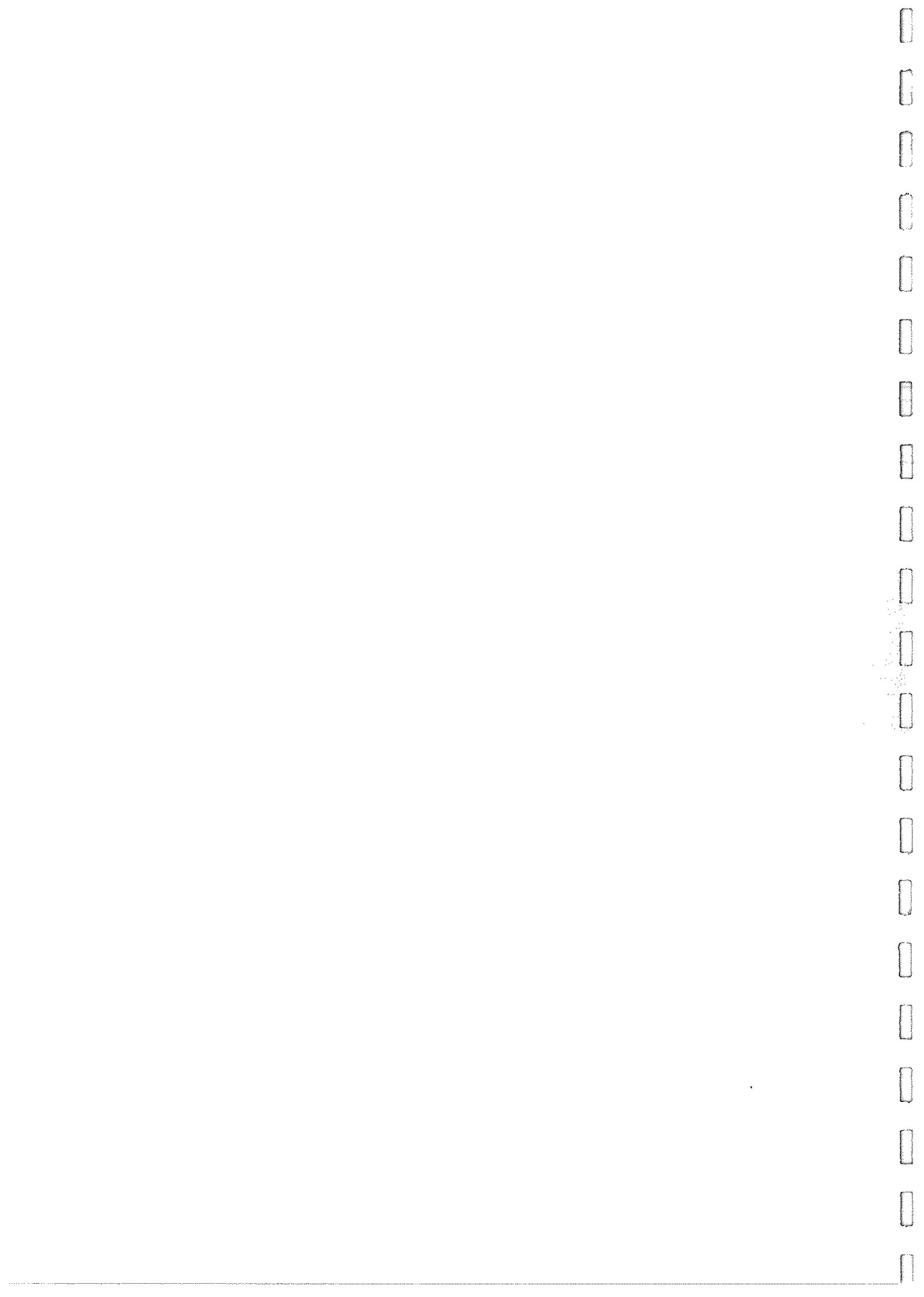
*[Signature]*  
**Project Accountant**

*[Signature]*  
**Project Director**  
**Project Management & Policy Support Unit**  
**Health Sector Development Program**  
**Ministry of Health**

*[Signature]*  
**Chief Financial Officer**  
**Ministry of Health**  
**Thimphu**

*[Signature]*  
**Project Manager**  
**Project Management & Policy Support Unit**  
**Health Sector Development Program**  
**Ministry of Health**





**Ministry of Health**  
**Health Sector Development Program**  
**Funded by Asian Development Bank : Grant No: G0616-BHU**  
**For the period 1st July 2018- 30th June 2019**  
**Details of Outstanding Advances**

| sl.# | Particulars                         | Amount               |               | Remarks           |
|------|-------------------------------------|----------------------|---------------|-------------------|
|      |                                     | BTN                  | Exchange Rate |                   |
| 1    | Gayjur Construction for civil works | 2,145,000.00         | 69.66         | 30,792.42         |
| 2    | WHO                                 | 9,765,251.00         | 69.66         | 140,184.48        |
|      | <b>Total Advances</b>               | <b>11,910,251.00</b> |               | <b>170,976.90</b> |

Exhibit IX

*[Signature]*  
**Project Accountant**

*[Signature]*  
**Project Director**  
 Project Director  
 Project Management & Policy Support Unit  
 Health Sector Development Program  
 Ministry of Health

*[Signature]*  
**Chief Finance Officer**  
 Chief Finance Officer  
 Ministry of Health  
 Thimphu

*[Signature]*  
**Project Manager**



**Project Manager**  
 Project Management & Policy Support Unit  
 Health Sector Development Program  
 Ministry of Health

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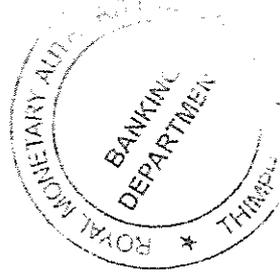


Royal Monetary Authority  
Banking Department

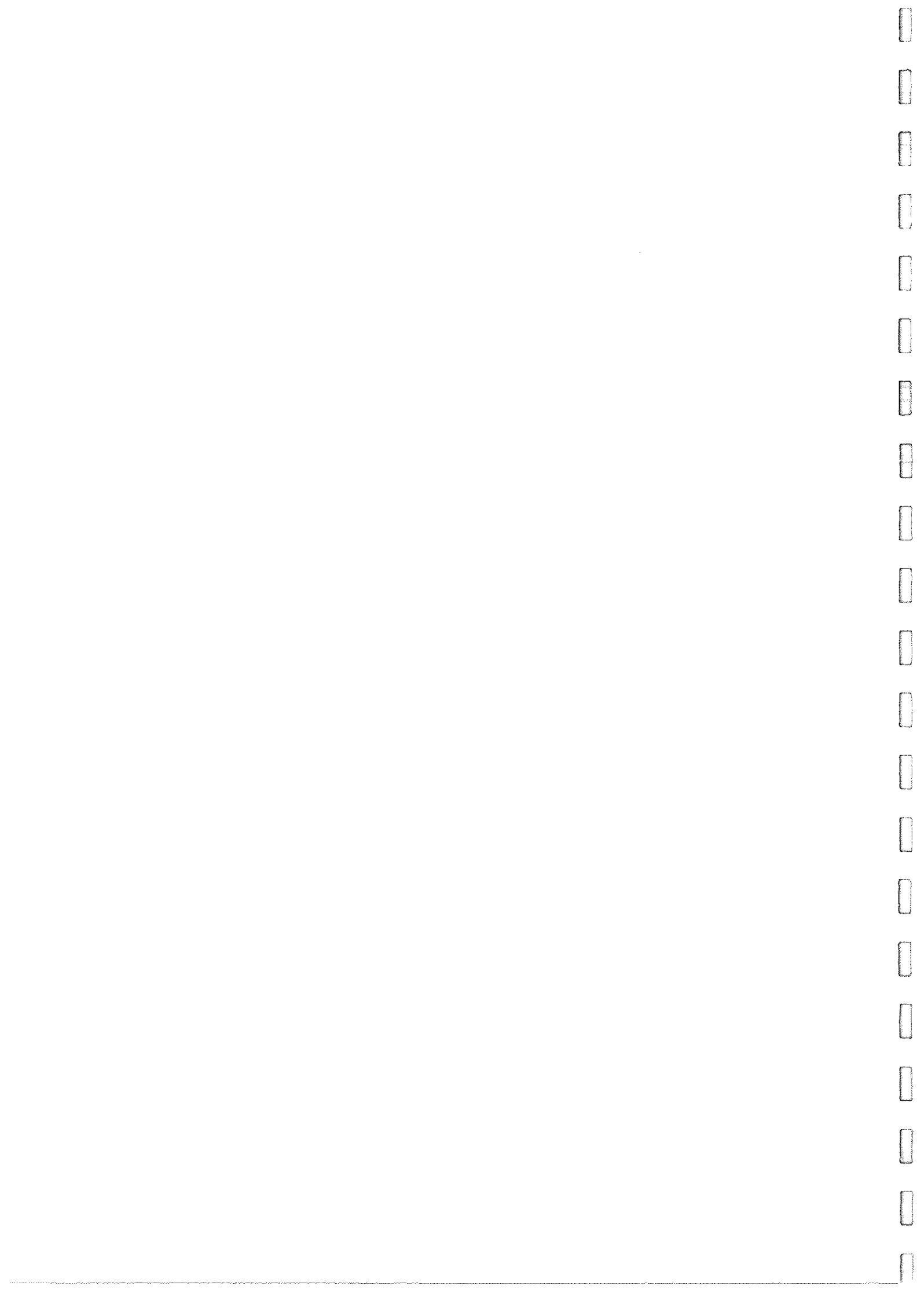
CURRENCY WISE GENERAL LEDGER (For the Period of 01/07/2018 - 30/10/2019)  
Currency Code:--01,US Dollar

Printed on: 03/10/2019  
Account Head: 2202088, GRANT NO. 0616 HEALTH SECTOR DEVELOPMENT PROGRAM

| Voucher Date             | Value | Date       | Voucher Number      | Ref. No. | Particulars   | Debit      | Credit     | Balance       |
|--------------------------|-------|------------|---------------------|----------|---|------------|------------|---------------|
| Balance Brought Forward: |       |            |                     |          |   |            |            |               |
| 06/05/2019               |       | 06/05/2019 | CAM/GV/1819/16617   |          | Fund deposited by ADB for FC 2202088  | 0.00       | 580,936.86 | 580,936.86 CR |
| 09/05/2019               |       | 09/05/2019 | CAM/BK08/1819/16908 |          | Fund transfer to DPA from FC 2202088 @ 69.44 vide DMEA letter no. 1231 dated 09/05/2019 | 61,909.56  | 0.00       | 519,027.30 CR |
| 15/05/2019               |       | 15/05/2019 | CAM/BK08/1819/17422 |          | Fund transfer to DPA from FC 2202088 @ 70.19 vide DMEA letter no.1236 dated 10/05/2019  | 85,482.26  | 0.00       | 433,545.04 CR |
| 11/06/2019               |       | 11/06/2019 | CAM/BK08/1819/19341 |          | Fund transfer to DPA from FC 2202088 @ 69.35 vide DMEA letter no. 1414 dated 10/06/2019 | 273,972.60 | 0.00       | 159,572.44 CR |
| 09/09/2019               |       | 09/09/2019 | CAM/BK08/1920/10714 |          | Fund tfr to DPA from FC 2202088 @ 71.51 vide DMEA ltr dtd. 3/9/19                       | 20,976.09  | 0.00       | 138,596.35 CR |
| 16/09/2019               |       | 16/09/2019 | CAM/BK08/1920/11644 |          | Fund tfr from FC2202088 to DMEA @ 70.89 vide ltr dtd. 12/9/2019                         | 38,087.18  | 0.00       | 100,509.17 CR |



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3/10/2019



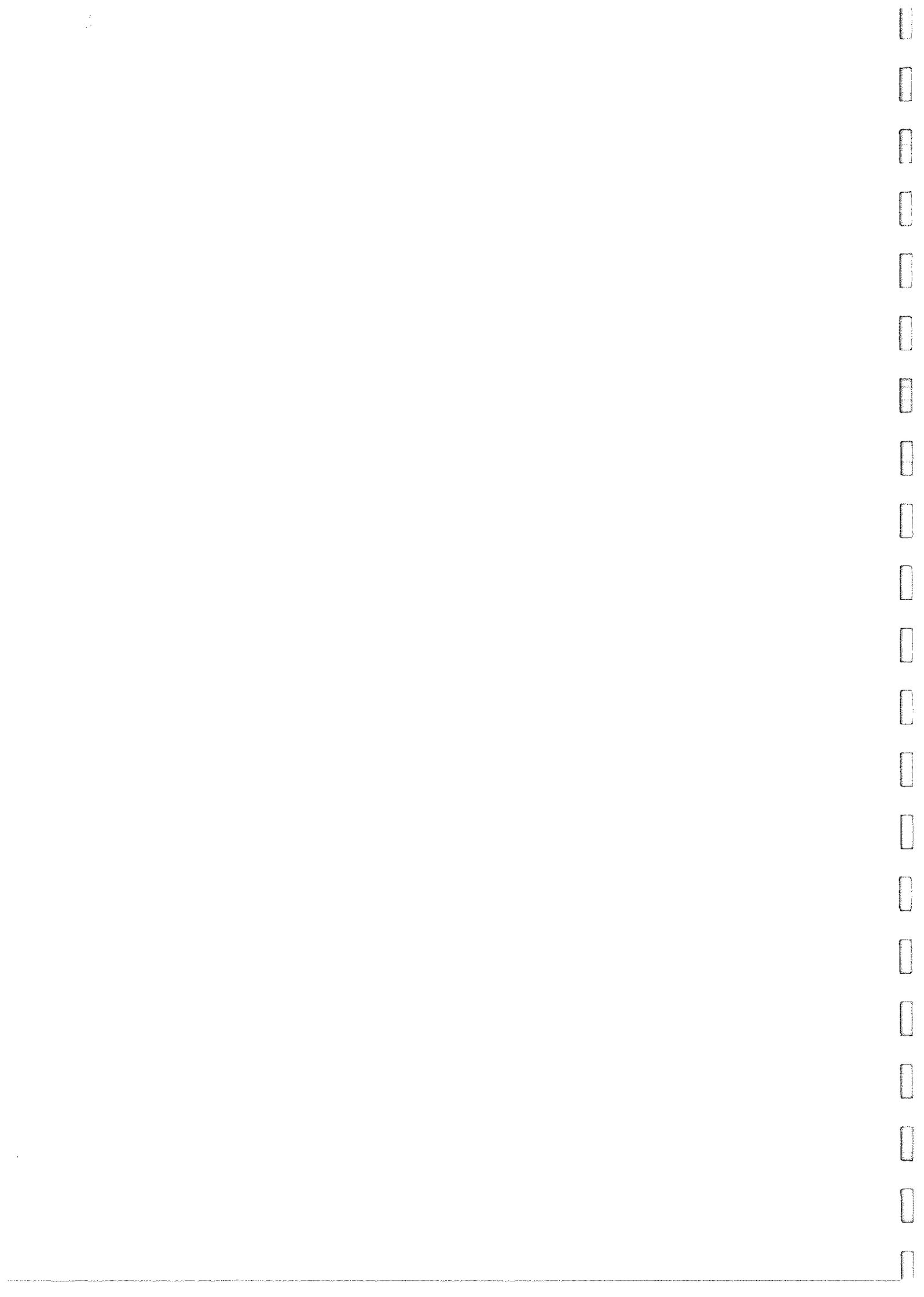
## FINANCIAL INFORMATION ON EXTERNAL PROJECTS INCLUDING OUTSTANDING ADVANCES

FOR THE FISCAL YEAR 2010-2011 TO 2018-2019

FICCODE FROM - 4636 FICCODE TO- 4636 / DONOR - ALL

(Amount in Nu.)

| FIC      | ADMINISTRATIVE UNIT/PROJECT NAME   | CASH RECEIPT  | RELEASE      | EXP-INCASH   | OUTSTANDING ADVANCE | REFUND | CASH WITH GOVT. |
|----------|--|---------------|--------------|--------------|---------------------|--------|-----------------|
| 19<br>01 | MINISTRY OF HEALTH   |               |              |              |                     |        |                 |
| 4636     | Health Sector Development Project  | 32,844,324.42 |              |              | 11,910,251.00       |        | 0.00            |
|          | Balance from Previous years:   |               |              |              |                     |        |                 |
|          | 208.01/01/00/067/056/006.01/4636[PAY & ALLOWANCES]   |               | 2,280,000.00 | 1,706,323.00 |                     |        |                 |
|          | 208.01/01/00/067/056/006.02/4636[OPERATION AND MANAGEMENT SERVICES]  |               | 7,491,324.00 | 3,742,119.42 |                     |        |                 |
|          | 208.01/01/00/067/056/006.03/4636[HIRING OF PROFESSIONAL EXPERTISE (FINANCIAL & PROCUREMENT)]   |               | 1,655,000.00 | 1,428,842.62 |                     |        |                 |
|          | 208.01/01/00/067/056/006.04/4636[TRAINING ON ENVIRONMENTAL SAFEGUARDS, FINANCIAL MANAGEMENT & PROCUREMENT]                                     |               | 795,000.00   | 316,615.00   |                     |        |                 |
|          | 208.01/01/00/067/056/006.05/4636[TRAINING OF MASTER TRAINERS/TOT ON BEHAVIOUR CHANGE COMMUNICATION]  |               | 4,299,000.00 | 4,078,359.00 |                     |        |                 |
|          | 208.01/01/00/067/056/006.08/4636[RENOVATION AND SMALL WORKS AT BHU IIS AND BHU I IN MONGAR DZONGKHAG]  |               | 2,150,000.00 | 5,000.00     |                     |        |                 |
|          | 208.01/01/00/067/056/006.09/4636[CD 2 PROCUREMENT OF VACCINE VANS FOR HOSPITALS FROM WHO]  |               | 9,766,000.00 |              |                     |        |                 |
|          | 208.01/01/00/067/056/006.10/4636[TRAINING OF IMPLEMENTATION OF BHSOA TO AA BHU IIS AND DHSOS AND ADHOS OF 6 EASTERN DISTRICTS AND 7 HOSPITALS] |               | 3,657,000.00 | 2,452,510.00 |                     |        |                 |



FINANCIAL INFORMATION OF EXTERNAL PROJECTS INCLUDING OUTSTANDING ADVANCES

FOR THE FISCAL YEAR 2010-2011 TO 2018-2019

FICCODE FROM - 4636 FICCODE TO- 4636 / DONOR - ALL

(Amount in Nu.)

| FIC | ADMINISTRATIVE UNIT/PROJECT NAME   | CASH RECEIPT  | RELEASE       | EXP-IN-CASH   | OUTSTANDING ADVANCE | REFUND | CASH WITH GOVT. |
|-----|--|---------------|---------------|---------------|---------------------|--------|-----------------|
|     | 208.01/01/00/067/060/001.12/4636[ROLL OUT OF BHUTAN HEALTHCARE STANDARDS FOR QUALITY ASSURANCE IN 8 HOSPITALS] |               | 750,000.00    | 665,000.00    |                     |        |                 |
|     | <b>TOTAL 4636:</b>   | 32,844,324.42 | 32,843,324.00 | 14,394,774.04 | 11,910,251.00       | 0.00   | 1,000.42        |
|     | <b>TOTAL 208.01:</b>   | 32,844,324.42 | 32,843,324.00 | 14,394,774.04 | 11,910,251.00       | 0.00   | 1,000.42        |
|     | <b>TOTAL 2018-2019:</b>  | 32,844,324.42 | 32,843,324.00 | 14,394,774.04 | 11,910,251.00       | 0.00   | 1,000.42        |
|     | <b>GRAND TOTAL:</b>  | 32,844,324.42 | 32,843,324.00 | 14,394,774.04 | 11,910,251.00       | 0.00   | 1,000.42        |

a for Cash With Government

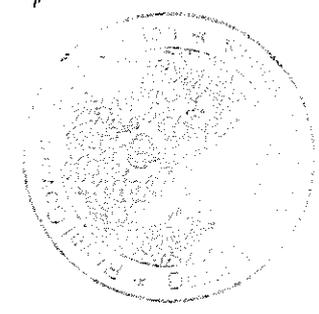
t FY:

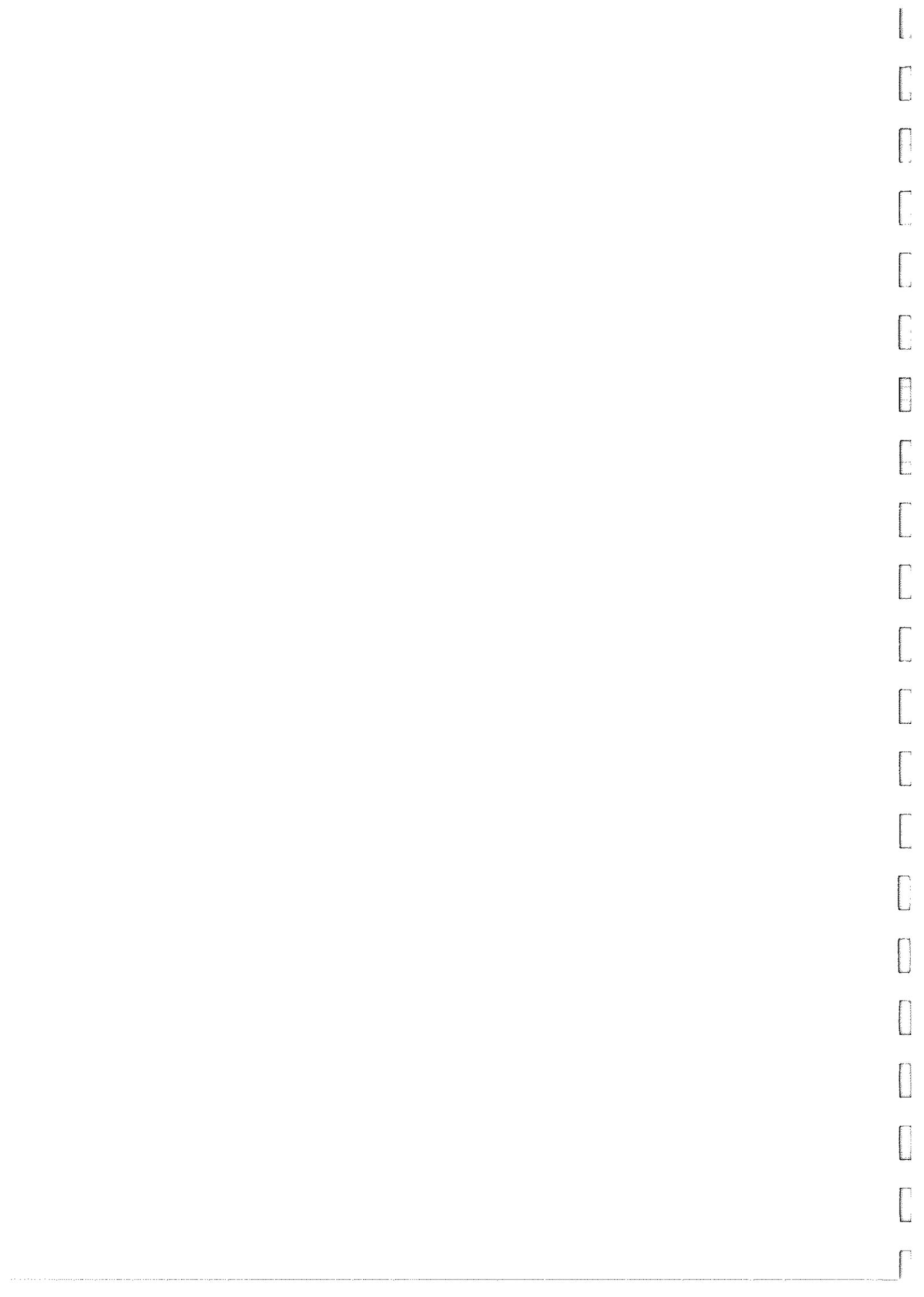
ith Government=( Prev FY Bal + Curr FY Cash Receipt) - (Curr FY RELEASE + Curr FY REFUND)

is FY:

ith Government=( Prev FY Bal + Curr FY Cash Receipt) - (Curr FY EXPENDITURE + OutstandingADV + Curr FY

Receipt - Exp - Ofc - Refund = Balance DPA.  
= 65,39,299.48



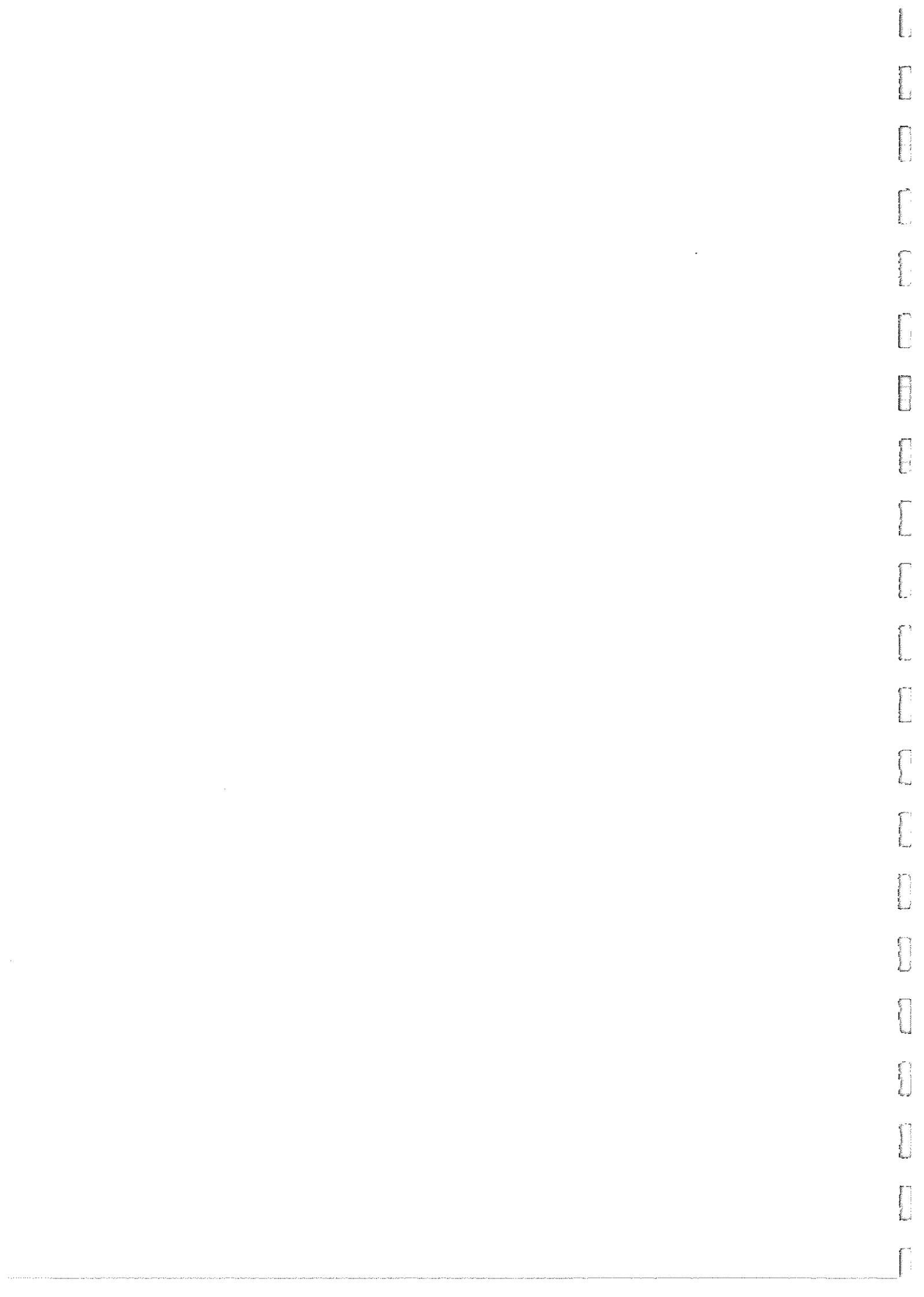


**MINISTRY OF HEALTH**  
Receipts and Payments Statement

For A/C. No. 208.01/2026-PLC

10 Month of JUNE - 2019

| Group/Broad Head Of Account              | Receipts               |                             | Payments               |                             | Cumulative Balance<br>(-) Cr; (+) Dr |
|--|------------------------|-----------------------------|------------------------|-----------------------------|--------------------------------------|
|  | For the Month<br>(Nu.) | Annual Progressive<br>(Nu.) | For the Month<br>(Nu.) | Annual Progressive<br>(Nu.) |                                      |
| <b>Opening Balance :</b>                 |                        |                             |                        |                             |                                      |
| a. Cash                                  | 0.00                   |                             |                        |                             |                                      |
| b. Bank                                  | 1,168,978.53           |                             |                        |                             |                                      |
| <b>Releases :</b>                        |                        |                             |                        |                             |                                      |
| a. Budgetary                             | 22,839,324.00          | 32,843,324.00               |                        |                             |                                      |
| b. Non-Revenue                           | 80,424.00              | 80,424.00                   |                        |                             |                                      |
| c. Refundable Deposits                   | 0.00                   | 0.00                        |                        |                             |                                      |
| d. Un-cashed Cheques                     | 0.00                   | 0.00                        |                        |                             |                                      |
| <b>Grants in-Kind :</b>                  | 0.00                   | 0.00                        | 0.00                   | 0.00                        |                                      |
| <b>Borrowings in-Kind :</b>              | 0.00                   | 0.00                        | 0.00                   | 0.00                        |                                      |
| <b>Revenue Receipts/Remittances :</b>    | 56,637.00              | 246,464.00                  | 56,637.00              | 246,464.00                  |                                      |
| <b>Other Recoveries/Remittances :</b>    |                        |                             |                        |                             |                                      |
| a. GPF: Employee Contribution            | 0.00                   | 0.00                        | 0.00                   | 0.00                        |                                      |
| b. Govt. Insurance Scheme                | 2,000.00               | 22,000.00                   | 2,000.00               | 22,000.00                   |                                      |
| c. Other Insurance Premia                | 2,473.00               | 19,784.00                   | 2,473.00               | 19,784.00                   |                                      |
| d. Loans from Fin. Instts.               | 0.00                   | 0.00                        | 0.00                   | 0.00                        |                                      |
| e. Others                                | 0.00                   | 0.00                        | 0.00                   | 0.00                        |                                      |
| <b>Personal Advances :</b>               |                        |                             |                        |                             |                                      |
| <b>Miscellaneous Receipts/Payments :</b> |                        |                             |                        |                             |                                      |
| a. Non-Revenue A/C. Deposits             | 0.00                   | 0.00                        | 0.00                   | 0.00                        |                                      |
| b. Refundable Deposit A/C. Deposits      | 0.00                   | 0.00                        | 0.00                   | 0.00                        |                                      |
|  |                        | 291,418.00                  | 0.00                   | 291,418.00                  | 0.00                                 |
|  |                        |                             | 0.00                   | 80,424.00                   |                                      |
|  |                        |                             | 0.00                   | 50,000.00                   |                                      |



Print Date :06/11/2019

**MINISTRY OF HEALTH**  
**Receipts and Payments Statement**  
 For A/C. No. 208.01/2026-PLC

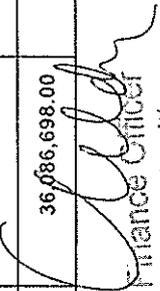
For the Month of JUNE - 2019

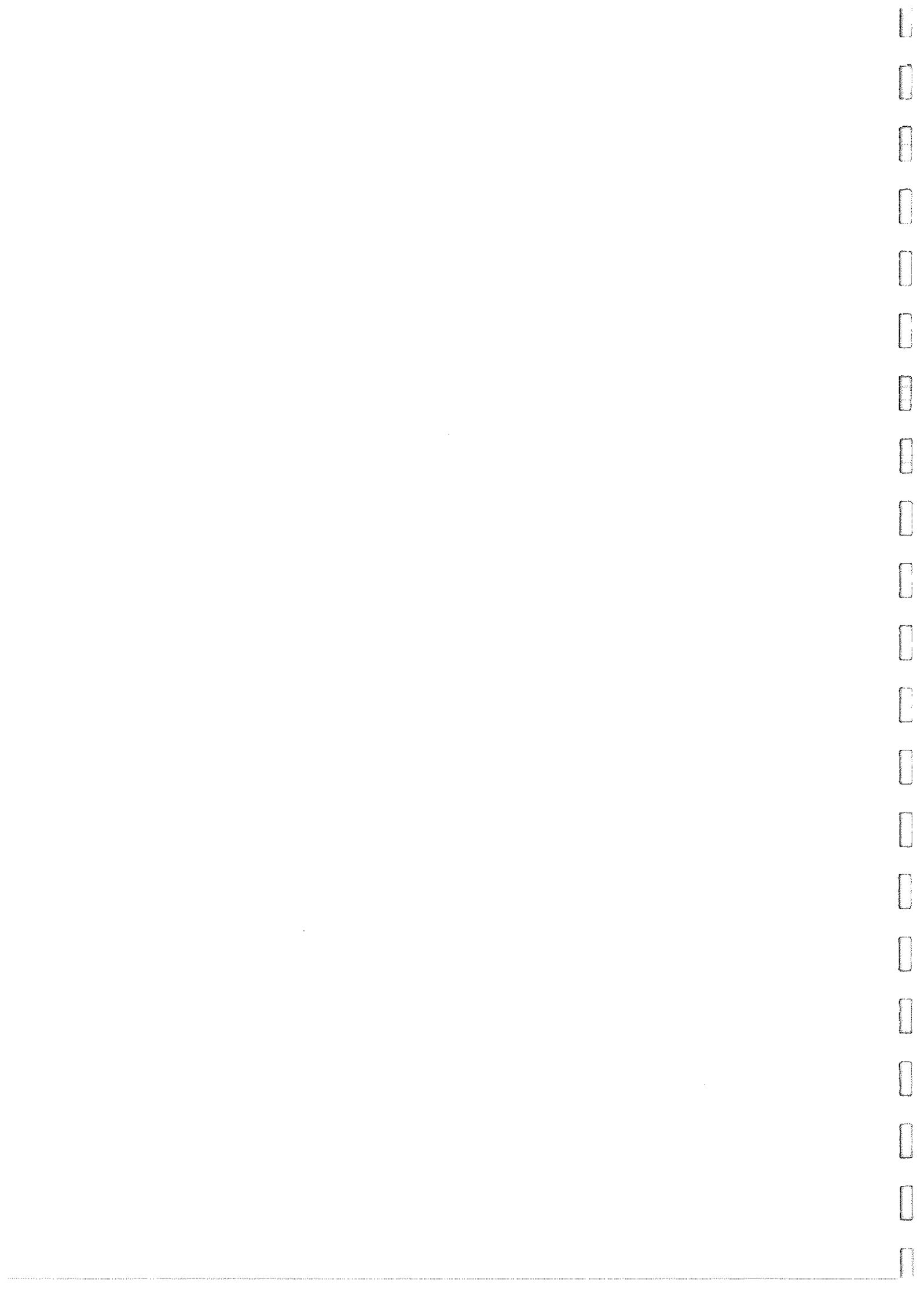
| Group/Broad Head Of Account    | Receipts               |                             | Payments               |                             | Cumulative Balance<br>(+) Cr, (-) Dr |
|--------------------------------|------------------------|-----------------------------|------------------------|-----------------------------|--------------------------------------|
|                                | For the Month<br>(Nu.) | Annual Progressive<br>(Nu.) | For the Month<br>(Nu.) | Annual Progressive<br>(Nu.) |                                      |
| c. Payments to DPA             | 0.00                   | 0.00                        | 0.00                   | 0.00                        |                                      |
| d. Others                      | 0.00                   | 0.00                        | 0.00                   | 0.00                        |                                      |
| <b>Suspense :</b>              |                        |                             |                        |                             |                                      |
| a. Stock                       | 0.00                   | 0.00                        | 0.00                   | 0.00                        | 0.00                                 |
| b. Purchases                   | 0.00                   | 0.00                        | 0.00                   | 0.00                        | 0.00                                 |
| c. PW Advances                 | 2,246,655.00           | 2,533,284.00                | 1,910,251.00           | 14,443,535.00               | 11,910,251.00                        |
| d. Intra-Agency Assignments    | 0.00                   | 0.00                        | 0.00                   | 0.00                        |                                      |
| e. Deposit Works               | 0.00                   | 0.00                        | 0.00                   | 0.00                        |                                      |
| f. Other Deposits              | 0.00                   | 50,000.00                   | 0.00                   | 0.00                        | -50,000.00                           |
| <b>Budgetary Expenditure :</b> |                        |                             |                        |                             |                                      |
| a. Current                     |                        |                             | 360,348.15             | 2,437,895.00                |                                      |
| b. Capital                     |                        |                             | 7,526,483.42           | 11,956,879.04               |                                      |
| c. Lending                     |                        |                             | 0.00                   | 0.00                        |                                      |
| d. Repayment                   |                        |                             | 0.00                   | 0.00                        |                                      |
| <b>Closing Balances :</b>      |                        |                             |                        |                             |                                      |
| a. Cash                        |                        |                             | 2,251.00               | 2,251.00                    |                                      |
| b. Bank                        |                        |                             | 6,536,047.96           | 6,536,047.96                |                                      |
| <b>Grand Total :</b>           | <b>26,396,491.53</b>   | <b>36,086,698.00</b>        | <b>26,396,491.53</b>   | <b>36,086,698.00</b>        |                                      |

(Signature)  
 Head of Finance Section

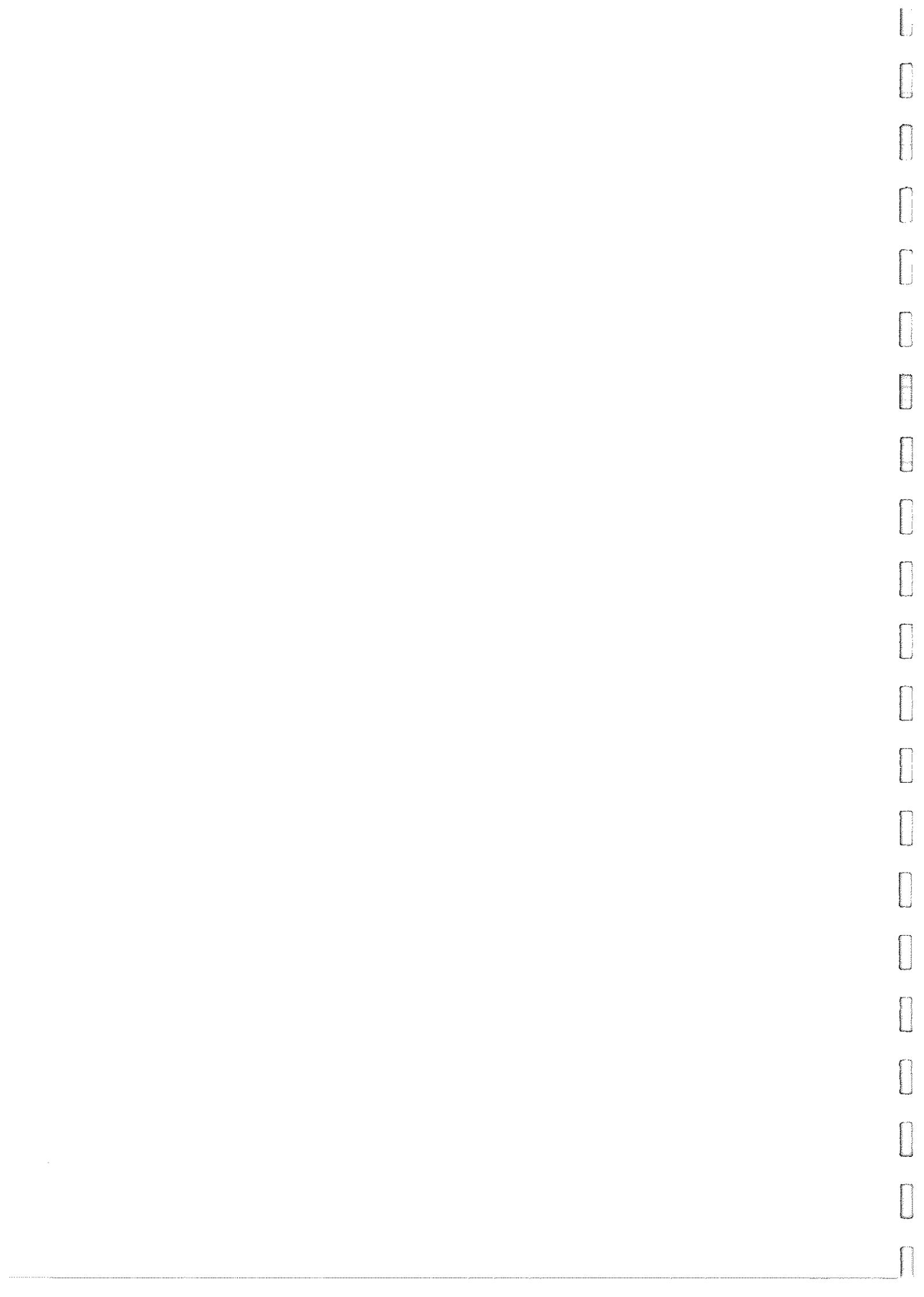


Chief Finance Officer  
 Ministry of Health  
 Head of Office  
 Thiruvananthapuram





**AUDIT FINDINGS AND RECOMMENDATIONS**



## **RECOMMENDATORY OBSERVATIONS**

The audit findings under this section of the report contains those issues, which are recommendatory in nature and intended to bring improved compliances through appropriate interventions and as such no accountability has been fixed for such findings.

### **1. Delay in acquisition of land for construction of satellite clinics (4.4.35)**

The sector development program (SDP) supports efforts of the government to improve equity, efficiency, and sustainability of Bhutan's health system. The SDP comprise of (i) a project, financed by a project grant, to invest in primary health care (PHC) improvements; and (ii) a program, financed by a policy-based grant, to support governance and institutional improvements in the areas of health financing and health information management.

As per the Project Administration Manual (PAM), the SDP will have three outputs as listed below:

Output 1: Primary health services especially in underserved areas improved.

Output 2: Support for health sector financing enhanced.

Output 3: Disease surveillance and health information system enhanced.

Under output 1, one of the main activities is construction of satellite clinics at Mothithang, Taba, and Babesa under Thimphu Municipality, Debsi in Thimphu District and one satellite clinics in Phuntsholing Drungkhag. The initial program implementation plan intends to float the advertisement for construction for satellite clinics at under Thimphu Municipality by third quarter of 2018, construction of satellite clinics at Debsi by second quarter of 2019 and construction of satellite clinics in Phuntsholing by fourth quarter of 2019.

This program implementation plan was later revised as the initial identified land was unable to acquire due to some issues beyond the control of PMPSU.

The revised plan intends to award the contract by last quarter of 2019, first quarter of 2020 and first quarter of 2021 respectively for construction of satellite clinics at Thimphu Municipality, Thimphu district and one satellite clinics in Phuntsholing respectively.

However, during the discussion with Project Manager, it was shared that the initial site selection was improper and as a result the land acquisition for the construction of satellite clinics has not yet finalized.

It is apparent from the review of PAM, that the consultant and official of MoH involved in the development of PAM had finalized the PAM without finalizing the land ownership (acquisition). The resources invested in the assessment of the land under Thimphu Municipality were apparently wastes as this land are not yet acquired.

Neither the identified and assessed land under Thimphu municipality nor the suitable land under Thimphu and Phuntsholing district were identified and acquired as on the date of the audit.

Delay in acquiring the land would delay the construction of satellite clinics within the project cycle and risk of unitization of fund within the approved project cycle may occur. Therefore, the PMPSU and MoH should justify reasons for delay in acquiring the land besides expediting the land acquisition to execute and complete the project on time.

**Auditee's Response:**

*The construction of satellite clinics was proposed under the ADB project, to improve primary health care in the urban areas (esp. Thimphu and Phuntsholing) and to improve access to health services for the urban population. The project was planned together in consultation with the two Thromde authorities. In terms of Thimphu, the Thromde provided land at Babesa, Mothithang and Jungshina. The land at Babesa and Jungshina were deemed inappropriate and inadequate, resulting in further discussions with the Thromde to provide adequate substitute sites. An alternate site was provided at Taba. However, with the approval to construct a hospital at Dechencholing it was felt that a satellite clinic at Taba was not warranted and consequently a site was provided at Babena. The site at Babesa was also changed to simtokha. With the finalization of these sites, the MoH has been following up with the NLC for the issuance of user right certificates/Lagthram, repeatedly, with both the secretary and DG, DMS, meeting the secretary, NLC, however, the NLC is yet to issue the user right certificates.*

*For practical purposes, the land for the 4 satellite clinics in thimphu have been acquired, just awaiting formal approval from NLC (with the exception of the land in Motithang).*

*In regards to Phuntsholing, the site provided by the Thromde was deemed inappropriate and inadequate (6 decimals in the RSTA parking at Norgay) which was not approved by the MoH. The P/ling Thromde was unable to provide an adequate alternative site. Only towards the beginning of 2019 was the MoH approached to construct a BHU-I at Pasakha by P/ling Thromde, which the MoH agreed to, so the land acquisition process for P/ling was initiated in 2019 only.*

*With the finalization of all the sites, we have been constantly following up with the NLC for the user right certificates, however, this is a process that is out of the control of the MoH and we can only depend on the NLC.*

*I hope you understand the problems that we are facing with the Thromdes and NLC, and reconsider your observation.*

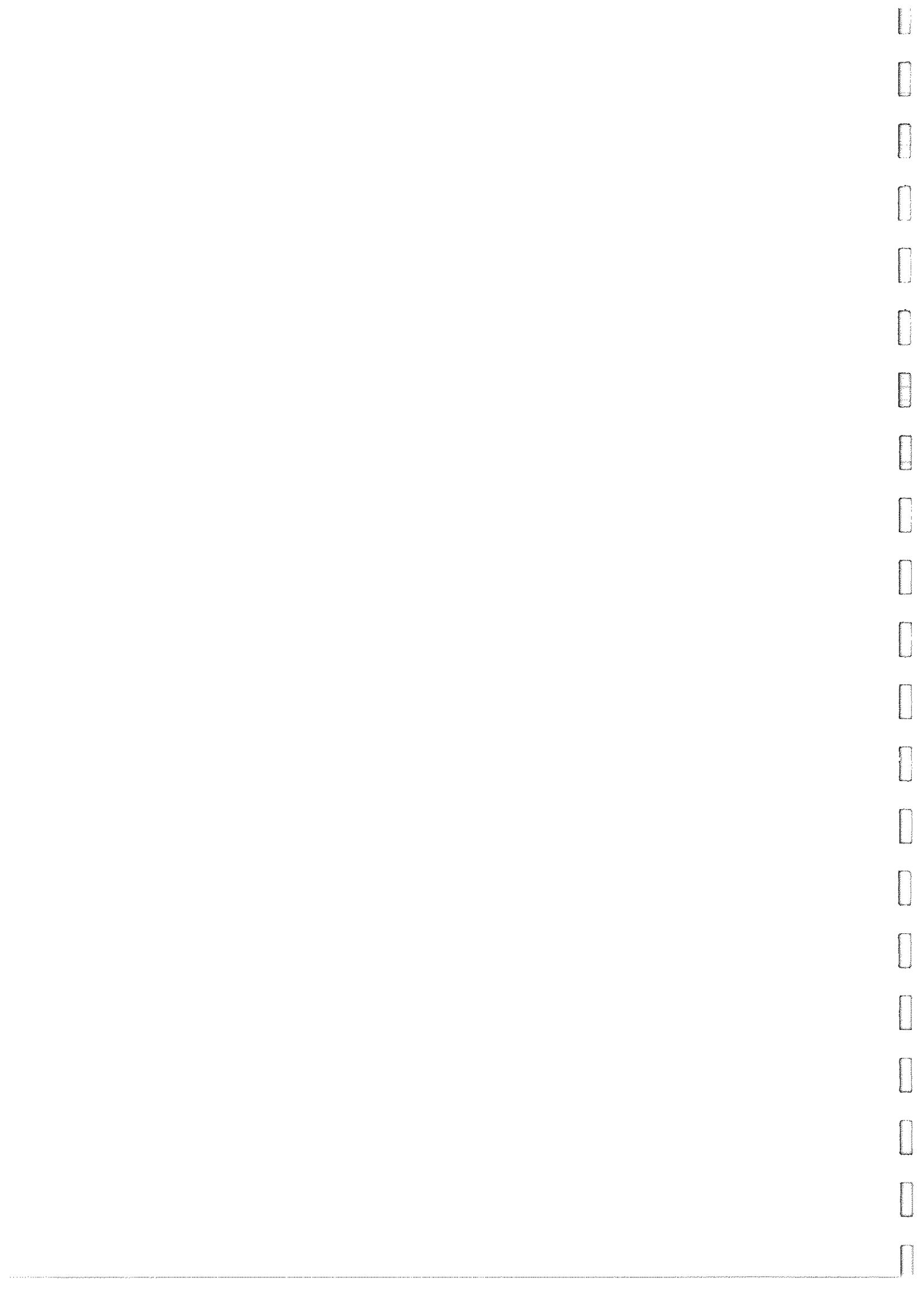
**RAA's Further Comments & Recommendations:**

*The response of the project management is noted. However, it may be noted that, the initial identified and assessed land for construction 3 Satellite Clinic at Babesa and Jungshina were found to be unsuitable and insufficient and which now requires further discussions with the Thimphu Thromde for allotting a substitute land.*

*However, as agreed, the PMPSU and MoH should take good decisions in far more systemic and expeditious manner to achieve the project deliverables within the revised planned period and within the approved grant fund to avoid cost overrun and delays.*

\*\*\*\*\*

# ANNEXURES



**A. INTRODUCTION**

**a. Program Summary**

|  |  |
|--|--|
| <b>Project Title</b>                   | Health Sector Development Program                    |
| <b>Country</b>                         | Bhutan   |
| <b>Project Number</b>                  | 51141-002  |
| <b>Grant Number</b>                    | 0615-BHU(SF) for Program<br>0616-BHU(SF) for Project |
| <b>Borrower</b>                        | Ministry of Finance                                  |
| <b>Recipient</b>                       | Kingdom of Bhutan                                    |
| <b>Executing Agency</b>                | Ministry of Health                                   |
| <b>Implementing Agencies</b>           | Ministry of Health                                   |
| <b>Technical Assistance (TA) No.</b>   | 9606-BHU   |
| <b>TA Amount</b>                       | 500000 USD   |
| <b>Total program/project cost</b>      | 41.22 Million USD                                    |
| <b>ADB Grant amount</b>                | 20 Million USD                                       |
| <b>Grant Negotiation date</b>          | 30 July 2018   |
| <b>Grant Approval by ADB Board</b>     | 5 October 2018                                       |
| <b>Grant agreement signing date</b>    | 29 November 2018                                     |
| <b>Grant effectiveness date</b>        | 19 February 2019                                     |
| <b>Grant completion date</b>           | 31 August 2023                                       |
| <b>Grant closing date</b>              | 28 February 2024                                     |
| <b>Fact-Finding Mission</b>            | 10-19 April 2018                                     |
| <b>Last ADB Mission</b>                | 11-17 October 2018 (Inception mission)               |
| <b>Gender Equity and Mainstreaming</b> | Effective gender mainstreaming                       |

**b. Overall Program Scope**

1. The HSDP is aligned with the Bhutan’s National Health Policy mission to achieve national health goals and its aspiration towards self-reliance and sustainability in Bhutan’s health service delivery. The overall sustainability of health service delivery will be supported by the outcome of improved equitable access, efficiency, and financial sustainability of the health system. The HSDP has three outputs. The project grant will support output 1 for PHC service delivery improvements in selected areas and the policy based grant will support outputs 2 and output 3 for enhanced health sector financing and improved disease surveillance and health information system, respectively.

**a. Project Financing**

2. The project under output 1 is estimated to cost **\$6 million**. ADB will finance the expenditures for civil works, goods, consulting services, and capacity development. The government will provide counterpart support in the form of additional staff, office accommodation, meeting venues, and other in-kind contributions including local taxes and duties through exemption.

## B. OVER ALL PROGRAM IMPACT AND OUTCOME

3. The impact of the program is aligned with the National Health Policy, 2011: National health goals achieved, and self-reliance and sustainability in health service delivery achieved. The outcome identified is the equitable access, efficiency, and financial sustainability of the health system improved.

## C. PROGRAM OUTPUTS

4. **Output 1: Primary health services especially in underserved areas improved.** This project-based output will support improvements in PHC service delivery, especially in the underserved areas. The enhanced focus on PHC will help bridge regional health disparities and improve cost-effectiveness of the health delivery system. Investments include (i) construction of five PHC satellite clinics in urban peripheries; (ii) upgrading primary health facilities with improved infrastructure provisions for infection control and waste management; (iii) medical equipment support for enhanced PHC service delivery, including immunization, and transportation of laboratory samples; (iv) support for capacity development to roll-out the Bhutan Health Standards and Quality Assurance mechanism at PHC facilities; and (v) support for health advocacy, awareness and behavior change communication through civil society organizations.

## D. PROJECT MANAGEMENT

5. The Ministry of Health (MOH) as the executing agency is responsible for overall strategic planning, guidance, and management of the SDP. Accordingly project management and policy support unit (PMPSU) was established in the Policy and Planning Division (PPD) of the MOH to support with planning, implementation, monitoring and supervision, and coordination of all activities under the SDP including the implementation of the tranche release policy actions. Five National consultants were recruited on **15 August 2018** for PMPSU and there has not been any turnover as of 31 March 2019. The project as of **31 March 2019** has **5 National consultant** and **4 counterpart staff** from Ministry of Health working fulltime for the project. The PMPSU is managed by **9 project staffs** including a Project Director and other staff as follows:

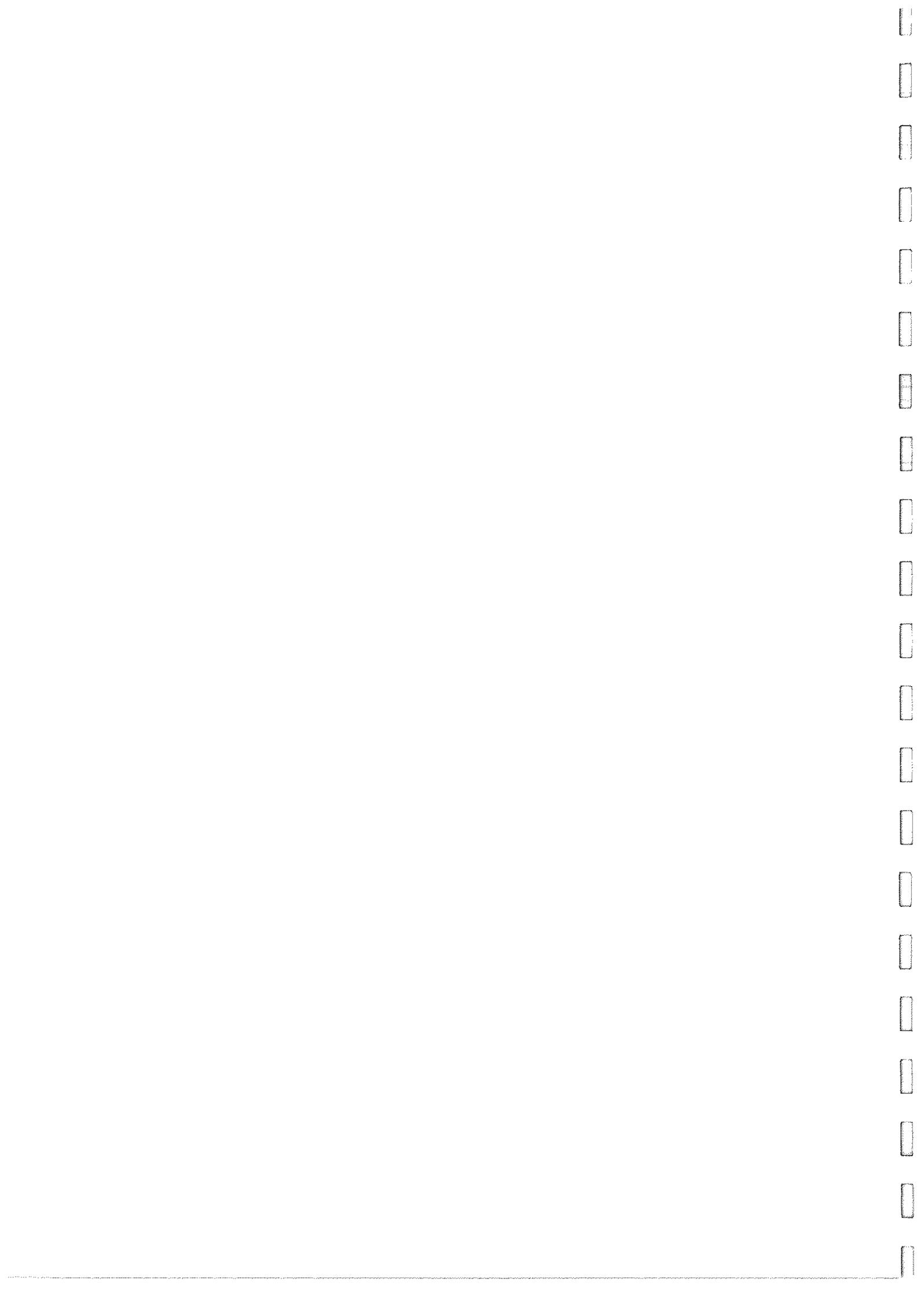
| S. No. | National Consultant Position | No.      |
|--------|------------------------------|----------|
| 1      | Project Manager              | 1        |
| 2      | M&E Specialist               | 1        |
| 3      | Project Assistant            | 1        |
| 4      | Civil Engineer               | 1        |
| 5      | Electrical Engineer          | 1        |
|        | <b>Total</b>                 | <b>5</b> |

| S. No. | Ministry of Health Staff | No.      |
|--------|--------------------------|----------|
| 1      | Project Director         | 1        |
| 2      | Project Focal            | 1        |
| 3      | Procurement Officer      | 1        |
| 4      | Project Accountant       | 1        |
|        | <b>Total</b>             | <b>4</b> |

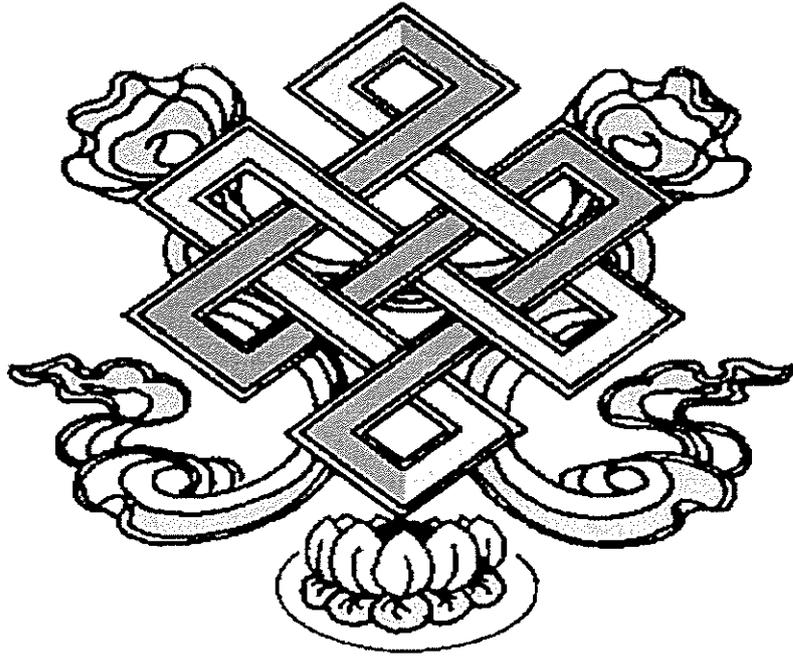
## Annexure – B: Achievements

The Royal Audit Authority while reviewing the accounting records and operations of the PLC Account operated by the ADB funded “Health Sector Development Program (BHU-0616)” had also reviewed the plans and programs implemented during the period under audit and noted the following accomplishments:

| Sl. No. | Activity   | Total Planned Implementation |        | Actual Output Achieved | Actual Costs Incurred | Amount in USD  |                 | Remarks                      |
|---------|--|------------------------------|--------|------------------------|-----------------------|--|-----------------|------------------------------|
|         |  | Qty.                         | Cost   |                        |                       | Cumulative Actual Achieved Result as % of Total Planned Result |                 |                              |
|         |  |                              |        | Output                 | Costs                 |  |                 |                              |
| 1       | 2  | 3                            | 4      | 5                      | 6                     | 7=(5/3)*<br>100  | 8=(6/4)*<br>100 | 9                            |
| A       | <b>Investment Costs</b>  |                              |        |                        |                       |  |                 |                              |
| 1       | <b>Civil Works</b>   |                              |        |                        |                       |  |                 |                              |
| 1.4     | (W-04) Tendering, awarding contract, and construction: Water reservoirs, water source protection, general Toilets, burial pits and waste storage rooms for BHU Is and IIs in Mongar district | 1                            | 349250 | 0.00                   | 34925.00              | 0.00   | 10.00           | Work Awarded ( 9th May 2019) |
| 2       | <b>Goods Procurement</b>   |                              |        |                        |                       |  |                 |                              |
| 3       | (GD-10) Procurement of AV Equipment for BHU-IIs  | 85                           | 56970  | 85                     | 42965.83              | 100  | 75.42           | Procured                     |
| 3.1     | (GD-11) Office equipment for PMPSU   | 1                            | 14200  | 1                      | 14081.34              | 100  | 99.16           | Procured                     |
| 3.2     | (GD-12) Office renovation of PMPSU   | 1                            | 13660  | 1                      | 7474.26               | 100  | 54.72           | Procured                     |
| 4       | <b>Consulting Firms</b>  |                              |        |                        |                       |  |                 |                              |
| 4.3     | (S-03A) Financial management expert International  | 1                            | 43170  | 1                      | 6994.86               | 100  | 16.20           | Field visit started          |
| 4.4     | (S-03B) Procurement Expert for International   | 1                            | 43170  | 1                      | 69.75                 | 100  | 0.16            | Field visit started          |
| 4.5     | (S-03C) BCC-IPC expert International   | 1                            | 43170  | 1                      | 11212.00              | 100  | 25.97           | Field visit started          |
| 4.6     | (S-04) Quality assurance expert International  | 1                            | 74750  | 1                      | 5129.12               | 100  | 6.86            | Field visit started          |
| 5       | <b>Trainings &amp; RollOut</b>   |                              |        |                        |                       |  |                 |                              |
| 5.1     | Training of BCC/Interpersonal communication skills   |                              | 158810 | 1                      | 58546.64              |  | 36.87           | ToT trained at Manila        |
| 5.2     | Training for BHSQA   |                              | 215000 | 1                      | 51478.47              |  | 23.94           | BHSQA started Rolling Out.   |
| 6       | PMPSU National Consultant Salary including environment expert  | 5                            | 158270 | 5                      | 13459.53              | 100  | 8.50            | PMU Expenses                 |
| 7       | Vehicle hiring for PMPSU   | 1                            | 120000 | 1                      | 3517.08               | 100  | 2.93            | Hiring Charges               |







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Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources

**MANAGEMENT APPRAISAL REPORT ON THE ACCOUNTS AND  
OPERATIONS OF THE ADB FUNDED PROJECT "HEALTH SECTOR  
DEVELOPMENT PROGRAM", SECRETARIAT, MINISTRY OF HEALTH  
(MOH), THIMPHU**

**PERIOD: 01 JULY 2018 TO 30 JUNE 2019**

**NOVEMBER 2019**

*'Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder.'*  
- His Majesty The King JigmeKhesarNamgyelWangchuck

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ཀྲུལ་གཞུང་ཚུམ་ཞིབ་དབང་འཛིན།  
ROYAL AUDIT AUTHORITY

Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of public services



RAA/AR/DSA/SCID/ADB-HSDP/MoH/2019/2816

Date: 20 November 2019

✓ The Project Director,  
Project Management and Policy Support Unit  
ADB, Ministry of Health,  
Thimphu.

Subject: **Management Appraisal Report**

Sir,

Enclosed herewith please find the Management Appraisal Report on audit of ADB funded "Health Sector Development Program (BHU-0616)" implemented by the Secretariat, Ministry of Health (MoH) for the financial year 1 July 2018 to 30 June 2019 conducted during the financial year 2019 - 2020. The audit report was issued vide Ref. No. **RAA/AR/DSA/SCID/ADB-HSDP/MoH/2019/2815 (AIN:16346)** dated 20 November 2019

Out of the two memos issued on various subjects one memo was resolved based on the explanation and documents furnished and compliance assured by the management. The details of the issues resolved and taken out from the audit report are given in the attached **Annexure-A**.

The management should review the findings and ensure that assurances provided by the management are complied with. It may be noted that in case of non-compliance of the assurances, the RAA will reinstate the findings in the next audit.

The future compliance assured by the management for rectifications and improvements of the system will be verified in the next audit

Yours faithfully,

(Gata Wangchuk)  
**Officiating Assistant Auditor General**  
**Social, Communication & Information Division**

Copy:

1. The Director, Directorate service, Ministry of Health
2. Office Copy



**PART - I : Compliances and recommendatory issues**

**2. Counterpart funding not incorporated in the annual budget (4.2.13)**

The project administration manual, chapter four- Costs and Financing, clause 11 states that *'The project under output 1<sup>1</sup> is estimated to cost \$6 million. ADB will finance the expenditures for civil works, goods, consulting services, and capacity development. The government will provide counterpart support in the form of staff, office accommodation, meeting venues, and other in-kind contributions including local taxes and duties through exemption'*.

Further, chapter five-Financial Management, clause 26 states that *'The MOH shall incorporate in its annual budget the counterpart budget for the project which shall be released to the MOH through the DPA'*, and clause 27 states that *'The government will provide counterpart funds of \$0.49 million for output 1 through vehicle tax/tax exemptions, and program management and policy support'*.

The counterpart funding support was supposedly to meet all the recurrent expenditure of the project that are not covered by the PAM including the vehicle tax and tax exemptions.

However, the review of the budget document, expenditure statement maintained in the PEMS, noted that the MoH and the PMPSU has not budgeted any counterpart funding support during the FY 2018-19.

It was also noted that the during the year the PMPSU has recovered Nu.80,424.00 on account of various catering services availed and initially paid from the grant fund. The recovery was made from the LC account of secretariat, MoH and deposited into Non-revenue account under PLC. This was made because the grant agreement does not allow disbursement for the re-current expenses and PMPSU & MoH has not budgeted any counterpart funding under the PLC.

Therefore, the PMPSU and MoH should justify for not budgeting any counterpart funding support in its annual budget as required by PAM.

**Auditee's Response:**

*With regard to the para 4.2.13 findings on non-incorporation of counterpart funding in annual budget of 2018-19, MoH would like to justify that such negligence has happened because actual project activities started only after August 15, 2018 with the recruitment of 5 project staff and setting up a fully functional project office thereafter.*

*As the yearly budget is usually planned and finalized in May-June of every year, and given the fully functional project office was not formed at that time, counterpart fund could not be incorporated in annual budget.*

---

<sup>1</sup> Output 1: Primary health services especially in underserved areas improved.

However, during the current fiscal year the project management, realizing this lapse. Has already projected the required counterpart financing from RGOB in the annual budget. Therefore, we would request the RAA to kindly consider the lapses and may drop the memo.

**The memo was treated as settled:**

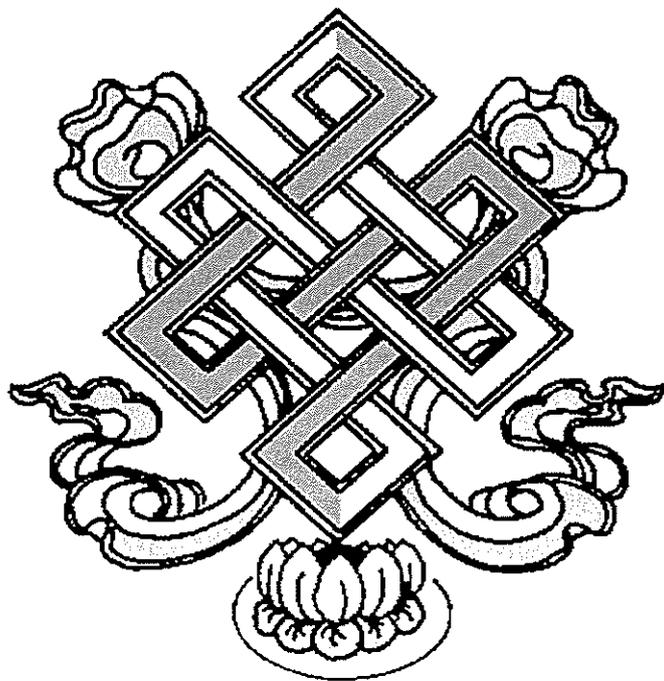
*In view of the explanation and justification furnished through audit response, the memo will not be pursued further.*

**Compliance to be made by Management:**

*The PMPSU and MoH should budget counterpart funding in its annual budget to meet all the expenses that are agreed to be met from counterpart fund. Further the PMPSU and MoH should meet all the expenses that are not covered by the Project Administration Manual (PAM) to prevent such lapses in future and the compliance would be verified in the next audit.*

\* \* \* \* \*





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