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

AIN: 16346

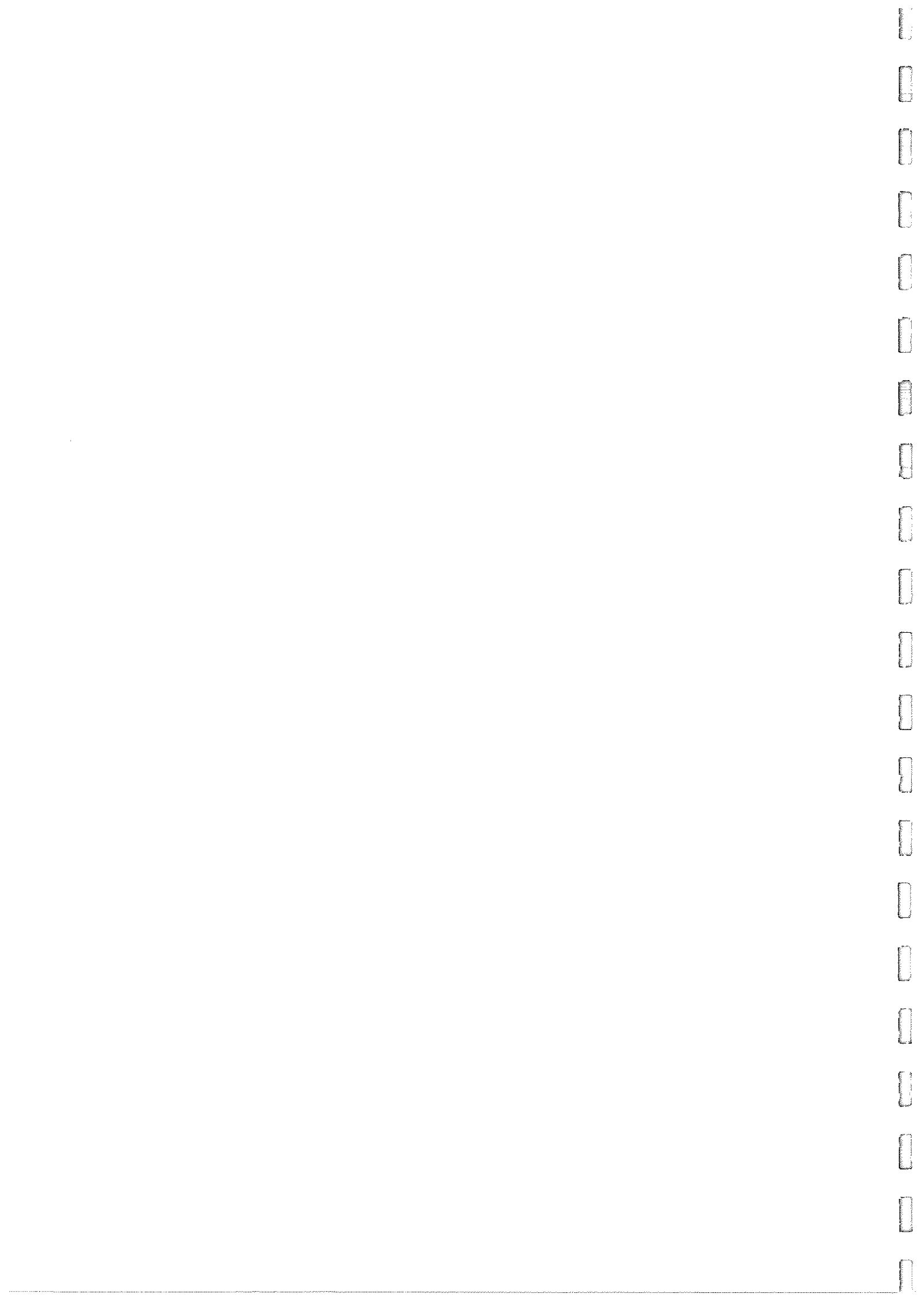
**FINANCIAL AUDIT REPORT OF THE
ADB FUNDED PROJECT "HEALTH SECTOR
DEVELOPMENT PROGRAM", SECRETARIAT, MINISTRY
OF HEALTH (MOH), THIMPHU**

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*

P.O. Box 191 | Kawangjangsa | Thimphu | Bhutan | Tel: +975-2-322111/328729/328730/324961 | Fax: +975-2-323491
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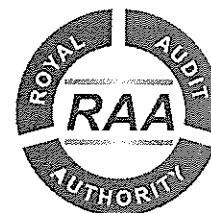


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ROYAL AUDIT AUTHORITY

Bhutan Integrity House

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



RAA/AR/DSA/SCID/ADB-HSDP/MoH/2019/2815 Dated: 20 November 2019

The Director
Department of Microeconomic Affairs
Ministry of Finance
Tashichho Dzong, Thimphu

Subject: Financial Audit Report of ADB funded "Health Sector Development Program (BHU-0616)", implemented by the Secretariat, MoH, Thimphu for the period 1 July 2018 to 30 June 2019

Sir,

Enclosed herewith, please find three sets of the audited **financial statements and auditors' report thereon** in respect of the ADB funded "Health Sector Development Program (BHU-0616)" implemented by the Secretariat, Ministry of Health (MoH), Thimphu for the financial year ended 30 June 2019 along with the **audit findings & recommendations**. The audit was conducted as required under the Audit Act of Bhutan 2018, and in accordance with International Standards of Supreme Audit Institutions (ISSAIs).

Two sets of the audited financial statements and auditors' report may please be forwarded to the Asian Development Bank Headquarters, Manila, Philippines.

Auditor's Report on the Financial Statement

As may be noted from the Auditors' Report, the financial statements are prepared by the **ADB Project Management and Policy Support Unit (PMPSU)**, MoH in all material respects, in accordance with Financial Rules and Regulations 2016 and Project Agreement. Accordingly, the RAA has expressed unmodified (unqualified) opinion on the financial statements.

Audit Findings and Recommendations

The RAA has reviewed the replies furnished by the ADB PMPSU, MoH and incorporated in the report. Out of two audit findings, one audit finding was settled in view of replies and related supporting documents, and evidences furnished subsequently, which are transmitted separately to the ADB PMPSU, MoH in the form of **Management Appraisal Report (MAR)** for future reference and compliance while one audit finding is pursued under **Recommendatory Observations**.

The RAA reported the audit finding under **Recommendatory Observations**, which in the opinion of the RAA needed further review and intervention as issues observed has potential to impede good governance and management practices or imminent risks are palpable if not

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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

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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 EID No.8901064
4.	Project Management	:	Tashi Penjor, Project Director EID No. 200201041 Sangay Tenzin, Project Manager CID No. 11107000693
5.	Drawing and Disbursing Officer	:	1. Chening Pelden, CFO EID No. 9610067 2. Tenzin Peldon, Finance Officer EID No. 201101058 (July 2018 to February 2019) 3. Sonam Tashi, Sr. Finance Officer EID No. 201001041 (March 2019 to Till Date)
6.	Finance Personnel	:	Tshering Peldon, Account Assistant I EID No. 2107091 (July 2018 to till date)
7.	Period Audited	:	01/07/2018 to 30/06/2019
8.	Schedule of Audit	:	Start Date: 18/09/2019 End Date: 02/09/2019
9.	Composition of Teams	:	Team Leader: Nima, Audit Officer EID No. 20140103324 Team Members: Lhakpa, Asst. Audit Officer EID No.: 20190113568
10.	Supervising Officer	:	Gaza Wangchuk, Offtg. AAG EID No. 9209044
11.	Overall Supervising Officer	:	Tashi Tobgay, Dy. Auditor General 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

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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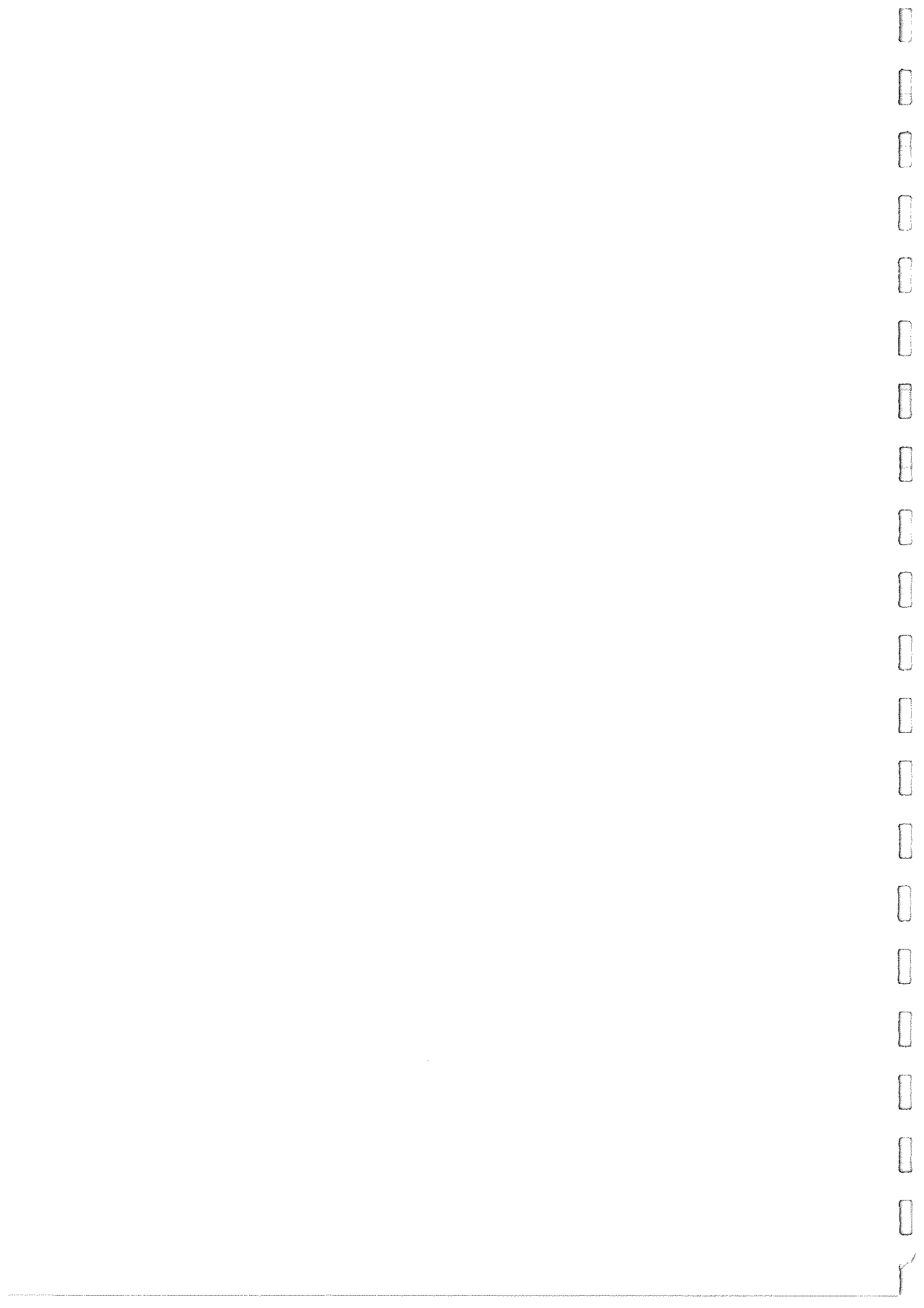
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**AUDITORS' REPORT ON THE
FINANCIAL STATEMENTS**



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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

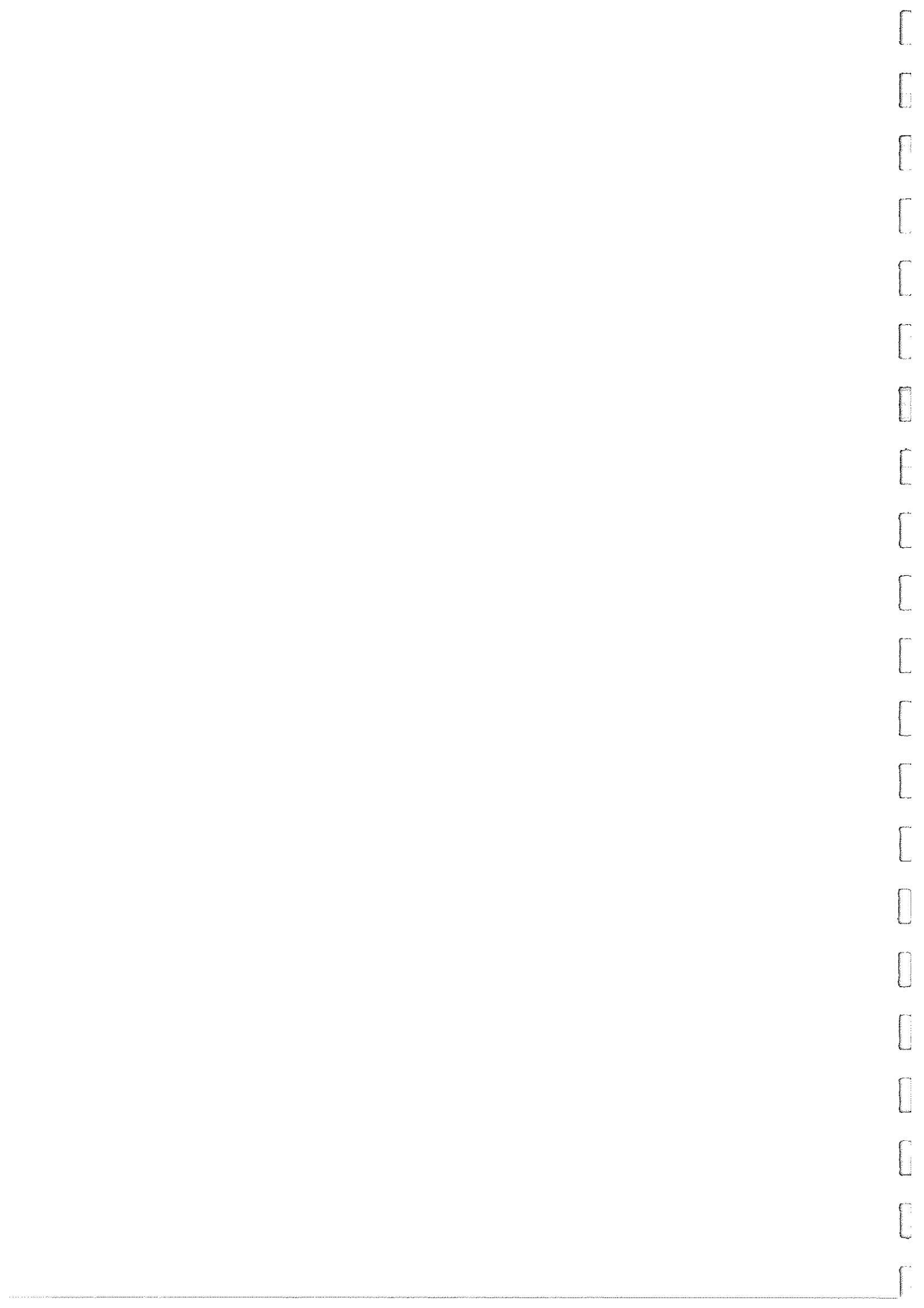
- The overall reconciled fund balance of the Project (ADB) as at 30 June 2019 stand at Nu.17,644,540.78 which is represented by USD 159,572.44 with RMA (Refer Exhibit VI) and local currency of Nu. 6,538,298.96 with DPA as on 30 June 2019 (Refer statement of ADB fund balance (DPA) Exhibit-VI- part II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



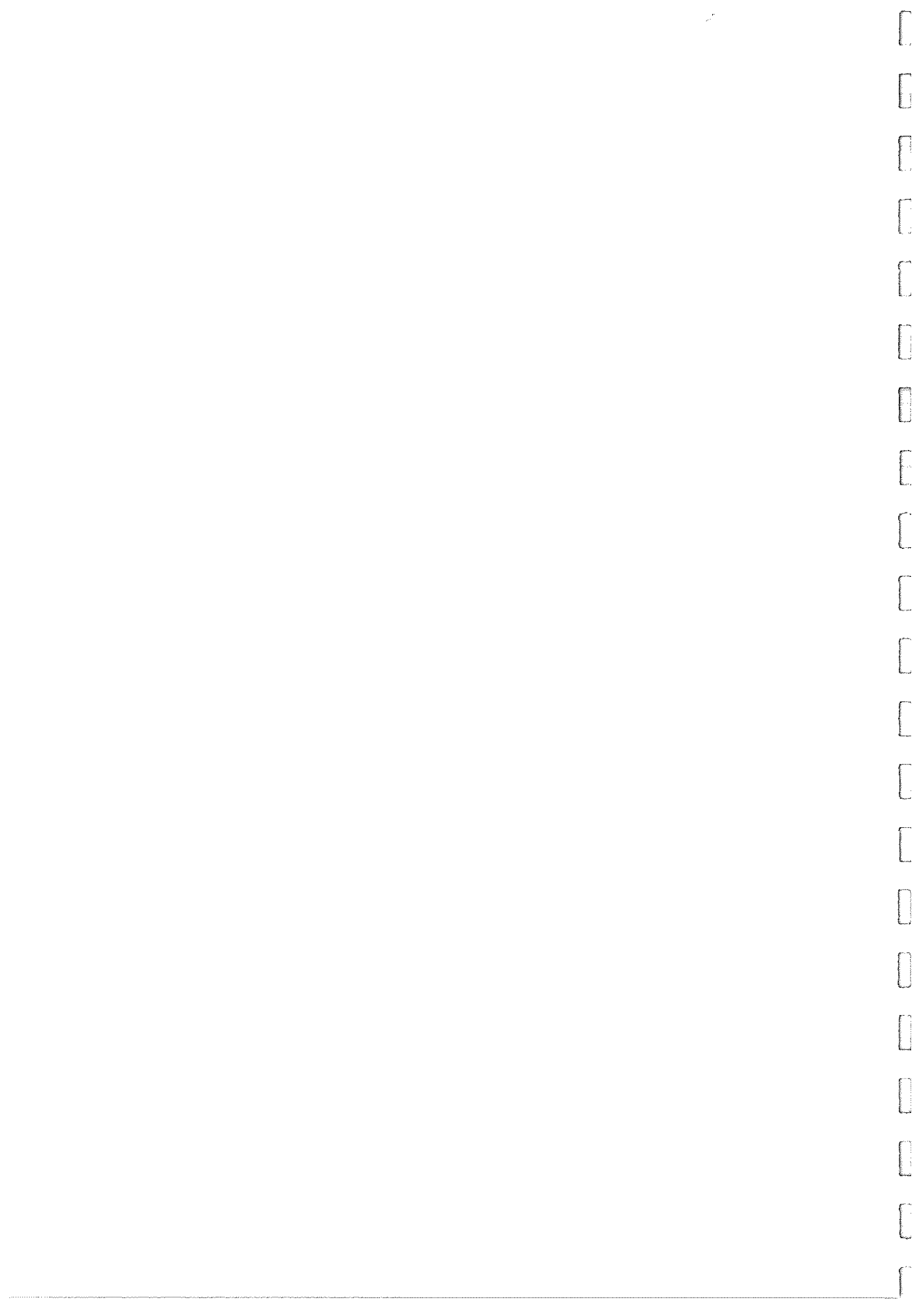
(Gaza Wangchuk)

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		Exhibit
		Nu	USD	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	
6	In-kind contribution(RGOB Co-financing)			2,034,406.30	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	
C	Contingencies							
1	Physical Contingencies	-	-			-	-	
2	Price Contingencies	-	-			-	-	
	Sub-total C	-	-			-	-	
	Total Project Cost (A+B+C)	14,394,774.04	206,643.33	2,034,406.30	29,204.79	16,429,180.04	235,848.12	

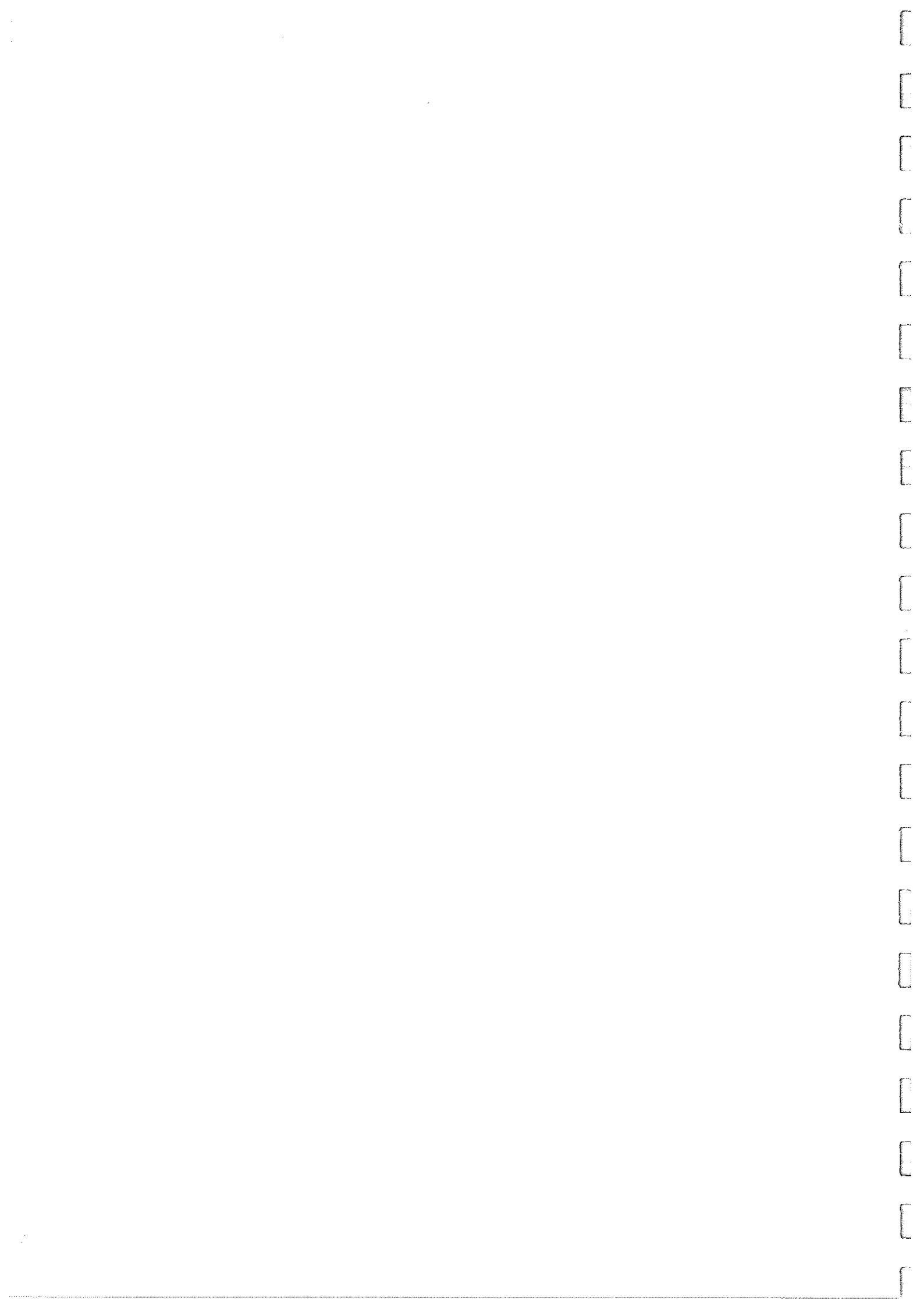
[Signature]
Accountant
ADB Project
MOH

[Signature]
Chief Programme Officer
Ministry of Health
Thimphu



Project Manager
PMPSU, MOH
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

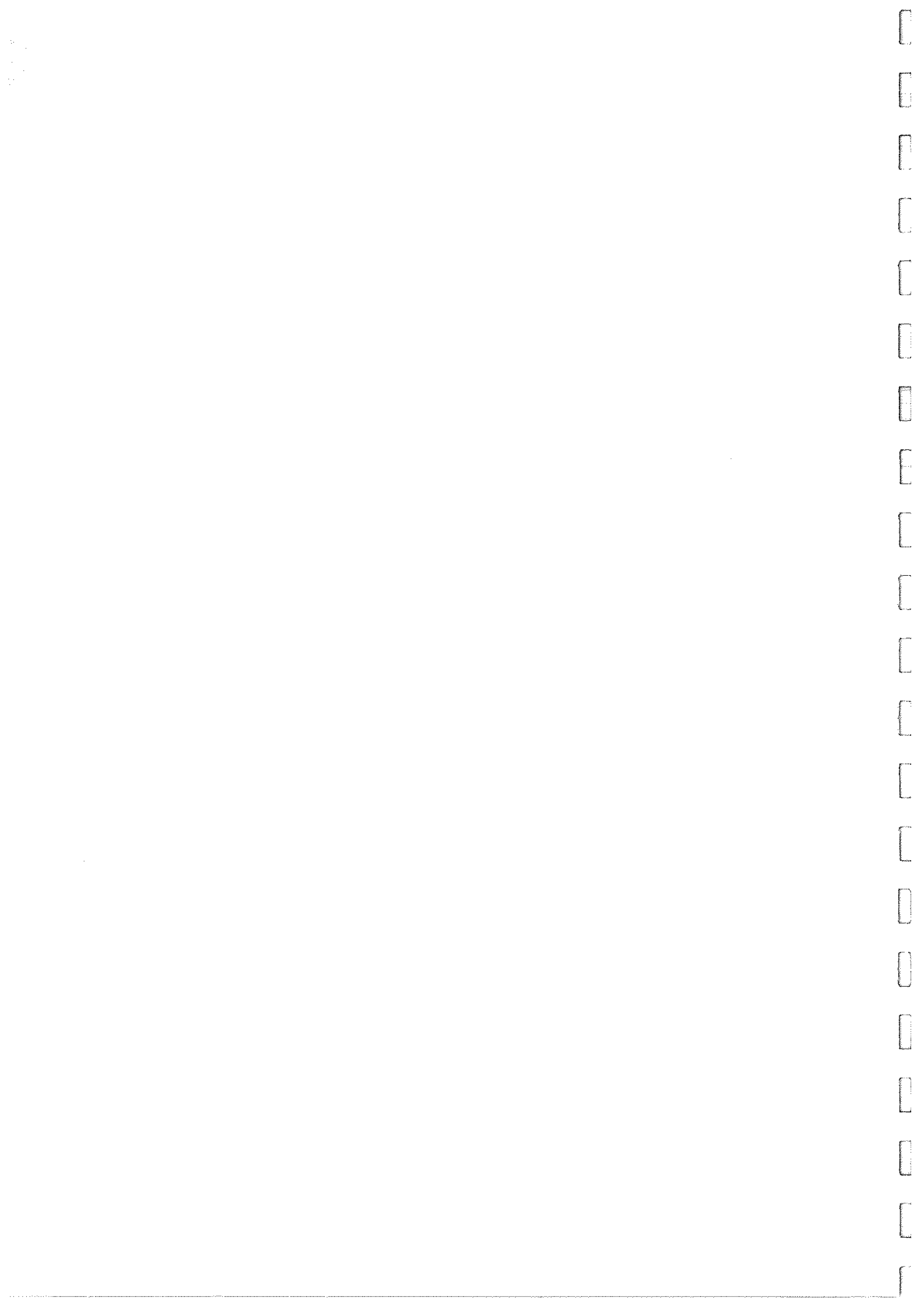


Royal Government of Bhutan
Ministry of Health
Health Sector Development Program
Funded by Asian Development Bank : Grant No: 08016-BHU
WORKSHEET FOR THE RGOB Co-Financing Expenditure

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	184669	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	
country meetings/seminars	Dec, 18		505.00	
country meetings/seminars	11/1/2019	8826	4,636.00	
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	3,983.00	
country meetings/seminars	1/2/2019	8897	740.00	
country meetings/seminars	Jan, 19	ZH0002531567-JAN-19	590.00	
country meetings/seminars	8/2/2019	8914	1,918.00	
country meetings/seminars	11/8/2019	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	1,911.00	
country meetings/seminars	5/3/2019	8990	740.00	
country meetings/seminars	Feb, 19	ZH00026411546-FEB-19	419.00	
country meetings/seminars	15/03/19	9016	25,805.00	
country meetings/seminars	26/03/19	9065	3,876.00	
country meetings/seminars	March, 19	ZH0002757240-MAR-19	454.00	
country meetings/seminars	12/4/2019	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	
country meetings/seminars	April, 19	ZH0002810248-APR-19	942.00	
country meetings/seminars	May	ZH0002924977	754.00	
country meetings/seminars	June, 19	ZH0003041017	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	
country meetings/seminars			442,990.00	
country meetings/seminars			341,945.00	
country meetings/seminars			245,465.00	
country meetings/seminars			291,445.00	
country meetings/seminars			256,070.00	
country meetings/seminars			187,630.00	
country meetings/seminars			2,034,406.00	

[Signature]

Chief Finance Officer
Ministry of Health
RGOB



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

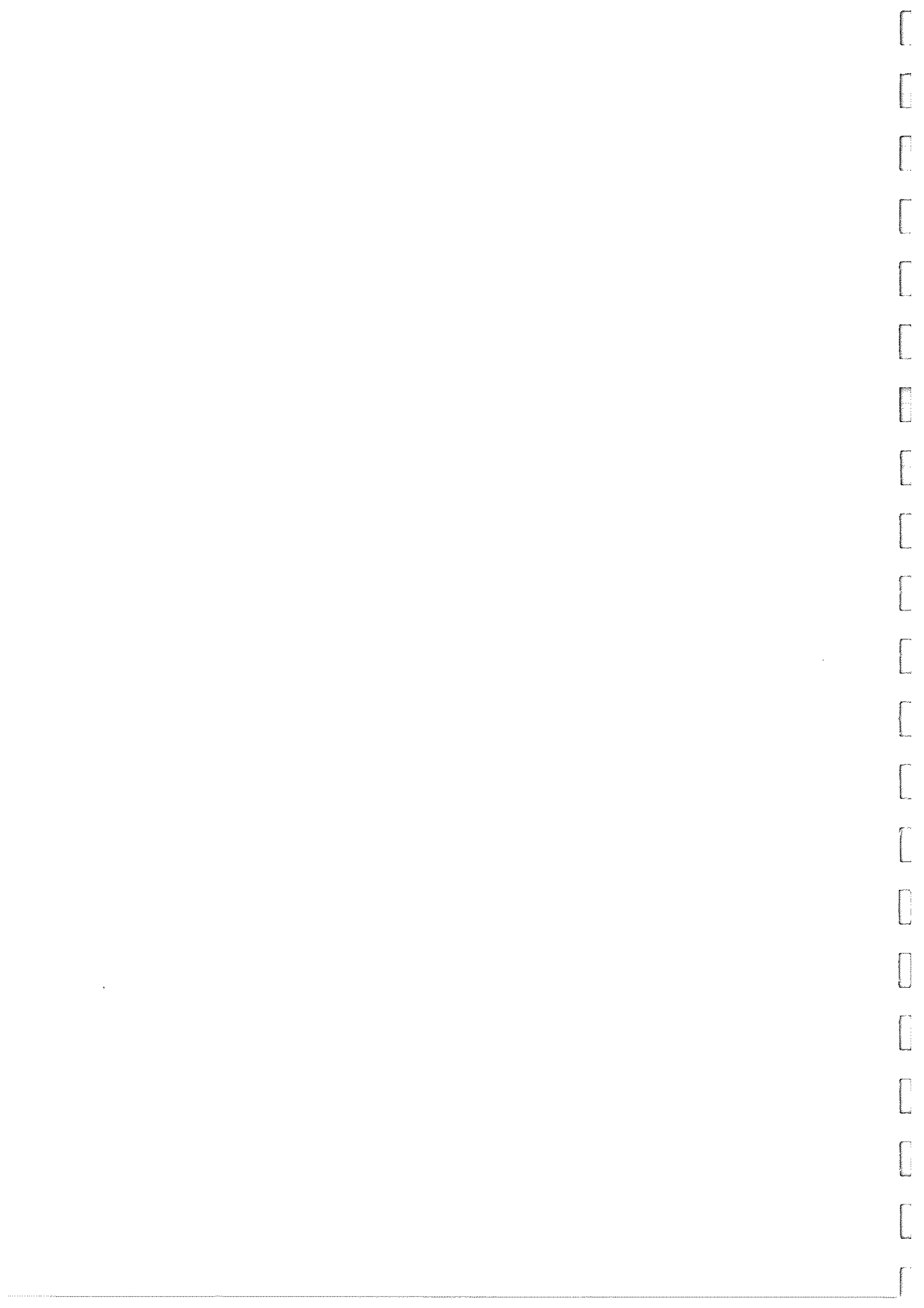
[Signature]
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MOH

[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

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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

Exhibit III

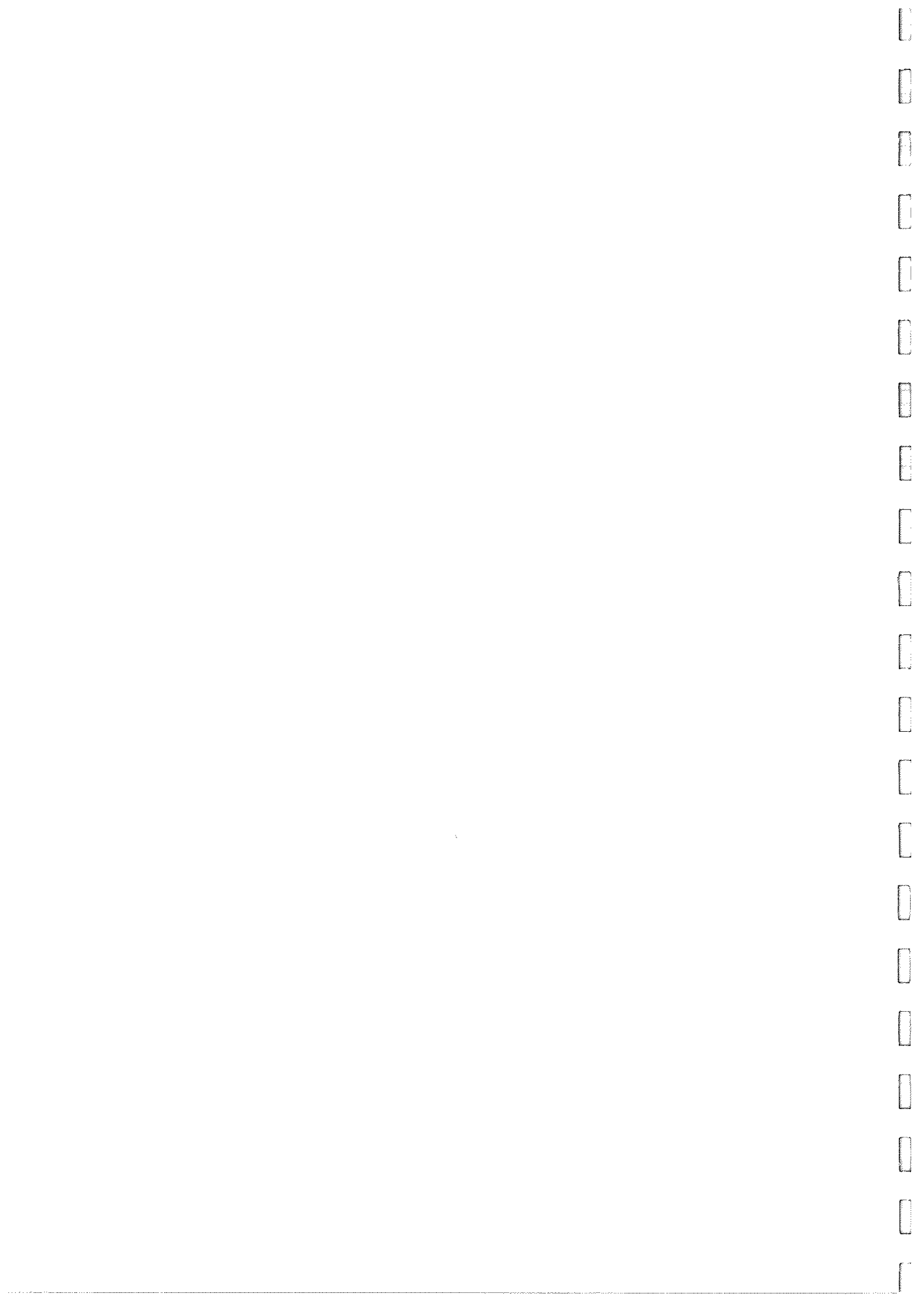
SL #	COST CATEGORIES		RGOB		Progressive total as on 30th June	
			Nu	USD	Nu	USD
A	Recurrent Costs					
	1	In-country meetings/seminars	284,345.00	4,081.90	284,345.00	4,081.90
	2	Communication	4,496.00	64.54	4,496.00	64.54
	3	Staff on Deputation	1,745,565.00	25,058.35	1,745,565.00	25,058.35
		Sub-total A	2,034,406.00	29,204.79	2,034,406.00	29,204.79
B	Recurrent Costs					
	4	PMPSU-salaries	-	-	-	-
	5	PMPSU-Expenses	-	-	-	-
	6	In-kind contribution	-	-	-	-
		Sub-total B				
		Total Base Cost (A+B)	2,034,406.00	29,204.79	2,034,406.00	29,204.79
C	Contingencies					
	1	Physical Contingencies	-	-	-	-
	2	Price Contingencies	-	-	-	-
		Sub-total C	-	-	-	-
		Total Project Cost (A+B+C)	2,034,406.00	29,204.79	2,034,406.00	

[Signature]
Accountant
ADB Project

[Signature]
Chief Finance Officer
Ministry of Finance
Thimphu

[Signature]
Project Manager
PMPSU, MOH
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



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
	Total Releases		3,238,000.00	29,605,324.00	32,843,324.00

Tushir
Project Director

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

Sonju
Project Manager

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



Lelden
Chief Finance Officer

Ministry of Health
 Thimphu

Jell
Project Accountant

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
Total			341,624.08		23,794,117.17

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Project Accountant

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Chief Financial Officer
Ministry of Health
Thimphu

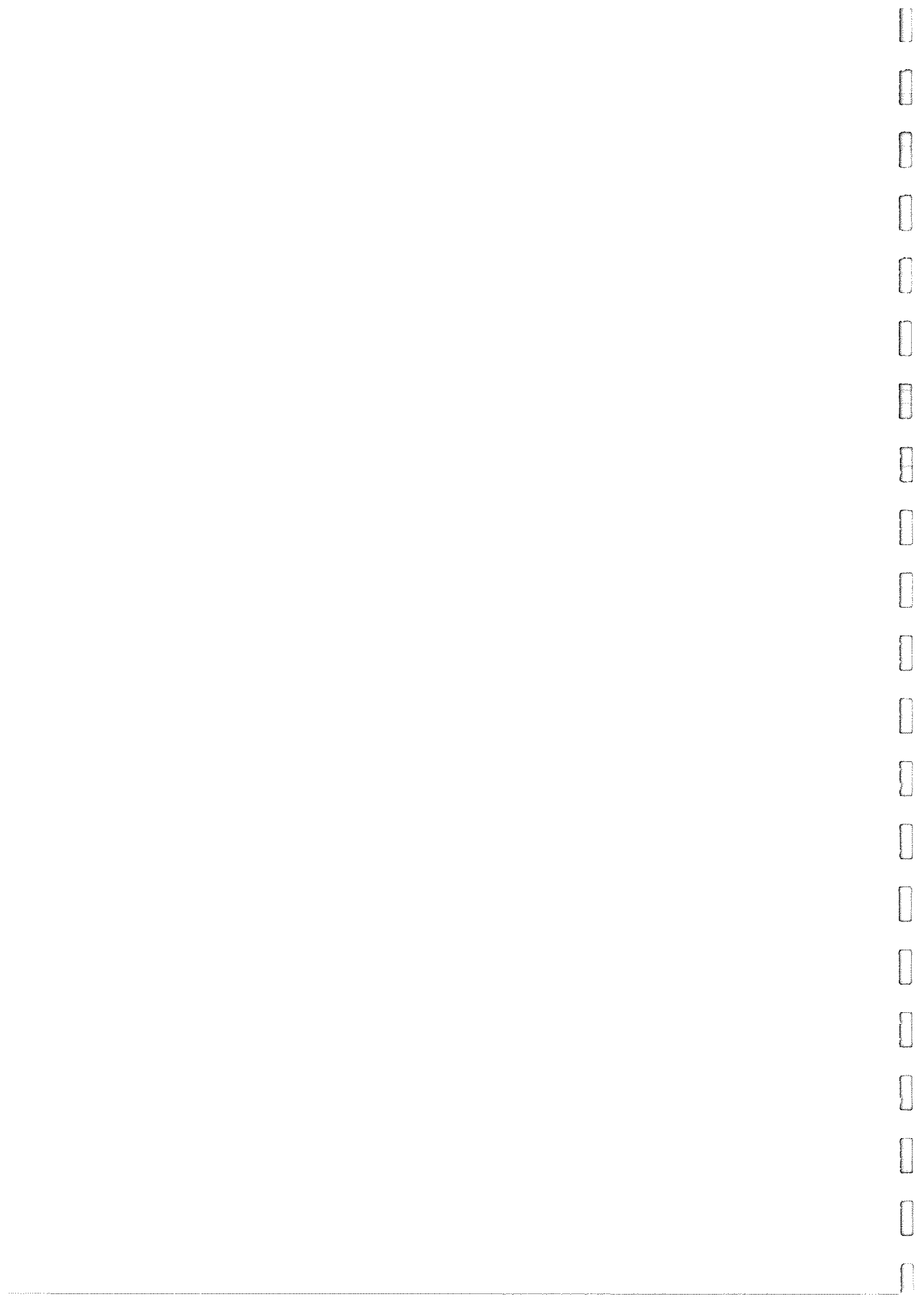
[Signature]
Project Manager

[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

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			
<u>Funds released to DPA</u>					
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

Particulars	Amount		Remarks
	USD	Nu	
01.07.2018 Opening Balance (brought forward last Fys ADB lapsed fund as of 1st July 2018)	-	-	
Funds received 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	

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Accountant
ADB Project
MOH

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

[Signature]
Project Manager
Head of Finance
MOH
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

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
	Total	208.98
	Average - Total/3	69.66

Note:-

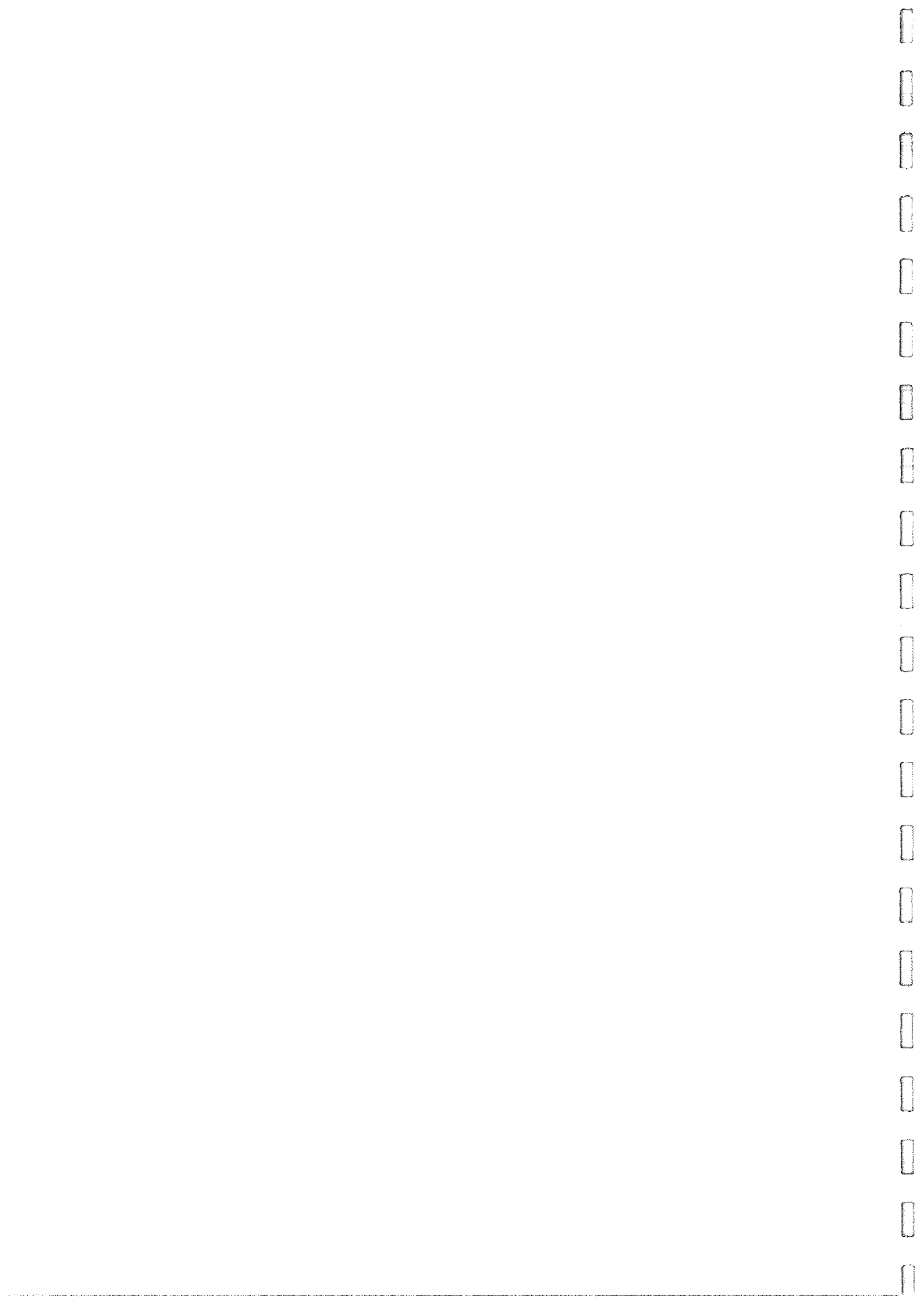
- 1 The total of exchange rates divided by the number of times funds transferred from RMA to DPA is used to derive the Average Exchange rate.
- 2 The Average Exchange Rate derived above has been used for depicting the expenditures incurred in USD.
- 3 Direct Payment made by the ADB HQ to UNICEF has been 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.

[Signature]
Project Accountant

[Signature]
Chief Finance Officer
Ministry of Health
Thimphu

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

[Signature]
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

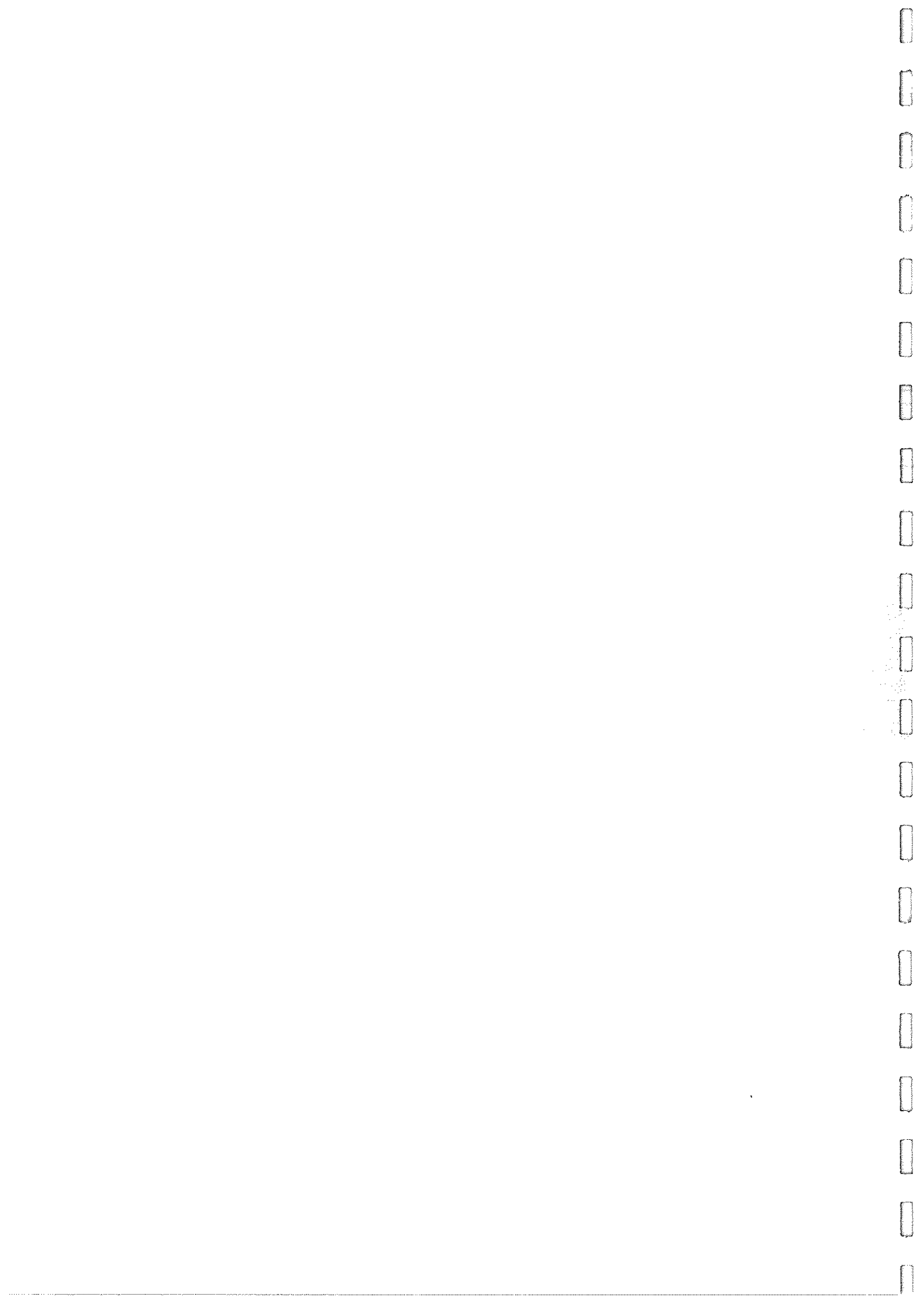
Project Management & Policy Support Unit
Health Sector Development Program
Ministry of Health

[Signature]
Chief Financial Officer

Ministry of Health
Thimphu



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	USD	
1	Gayjur Construction for civil works	2,145,000.00	30,792.42	
2	WHO	9,765,251.00	140,184.48	
	Total Advances	11,910,251.00	170,976.90	

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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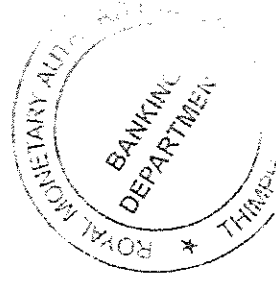


Royal Monetary Authority
Banking Department

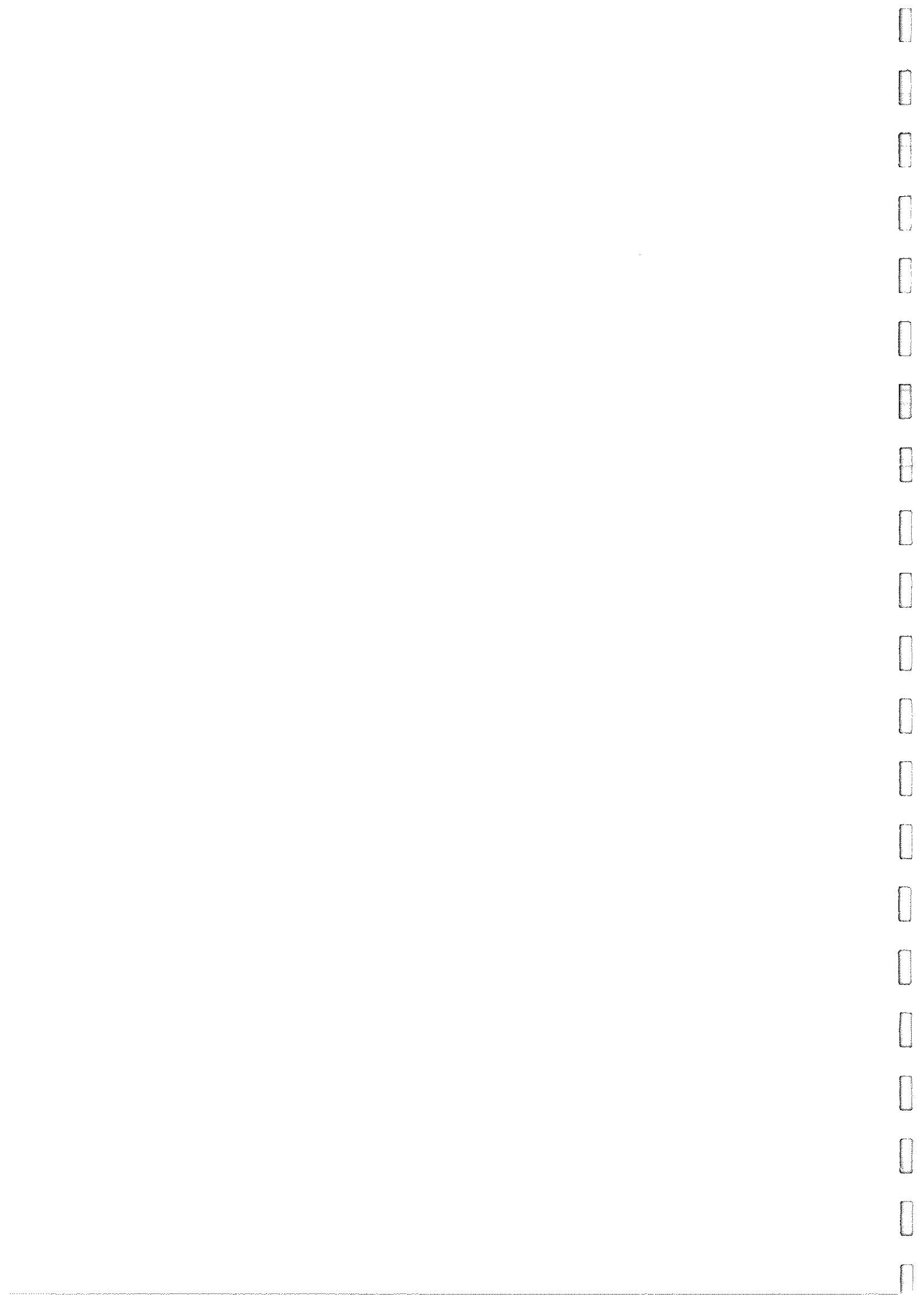
CURRENCY WISE GENERAL LEDGER (For the Period of 01/07/2018 - 30/10/2019)
Currency Code:-01,US Dollar

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

				(Page 1 of 1) (Amount in: USD)	
Voucher Date	Value Date	Voucher Number	Ref. No.	Particulars	Balance
Balance Brought Forward:					0.00 DR
06/05/2019	06/05/2019	CAM/GV/1819/16617		Fund deposited by ADB for FC 2202088	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	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	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	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	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	100,509.17 CR



Shy chom...
3/10/2019



Date:18/07/2019

FINANCIAL INFORMATION ON EXTERNAL PROJECTS INCLUDING OUTSTANDING ADVANCES

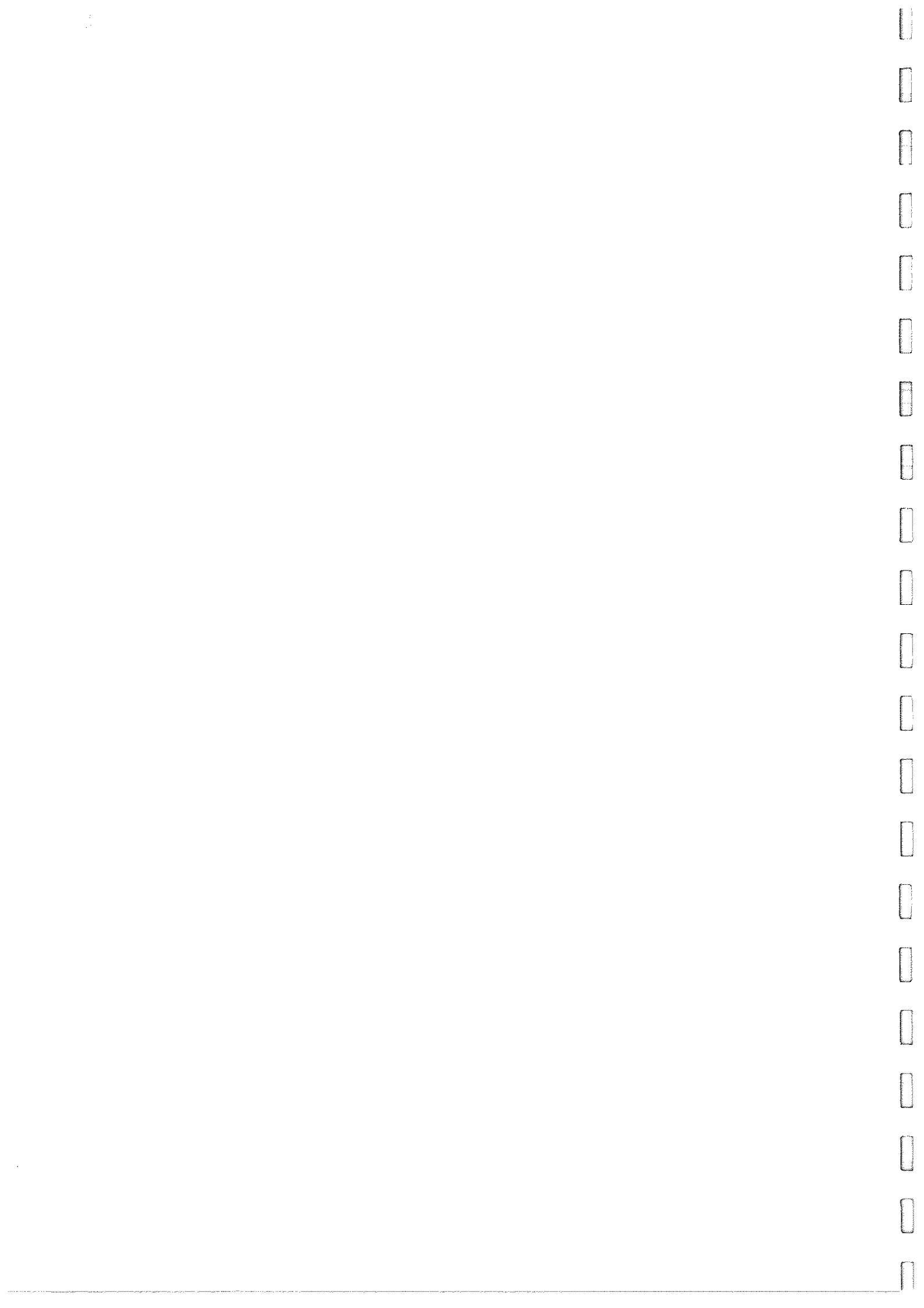
FOR THE FISCAL YEAR 2010-2011 TO 2018-2019

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

(Amount in Nu.)

FIC	ADMINISTRATIVE UNIT/PROJECT NAME	CASH RECEIPT	RELEASE	EXP-IN CASH	OUTSTANDING ADVANCE	REFUND	CASH WITH GOVT.
19	MINISTRY OF HEALTH						
01	Health Sector Development Project	32,844,324.42			11,910,251.00		0.00
4636	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			

mer: This is an authentic system generated report, users are requested to notify Department of Public Accounts immediately of any discrepancies in the report.



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.
	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			
	TOTAL 4636:	32,844,324.42	32,843,324.00	14,394,774.04	11,910,251.00	0.00	1,000.42
	TOTAL 208.01:	32,844,324.42	32,843,324.00	14,394,774.04	11,910,251.00	0.00	1,000.42
	TOTAL 2018-2019:	32,844,324.42	32,843,324.00	14,394,774.04	11,910,251.00	0.00	1,000.42
	GRAND TOTAL:	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:

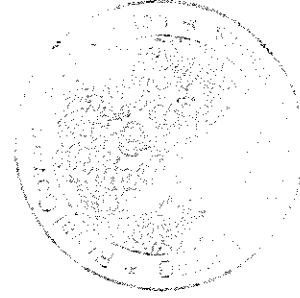
ith Government=(Prev FY Bal + Curr FY Cash Receipt) - (Curr FY RELEASE + Curr FY REFUND)

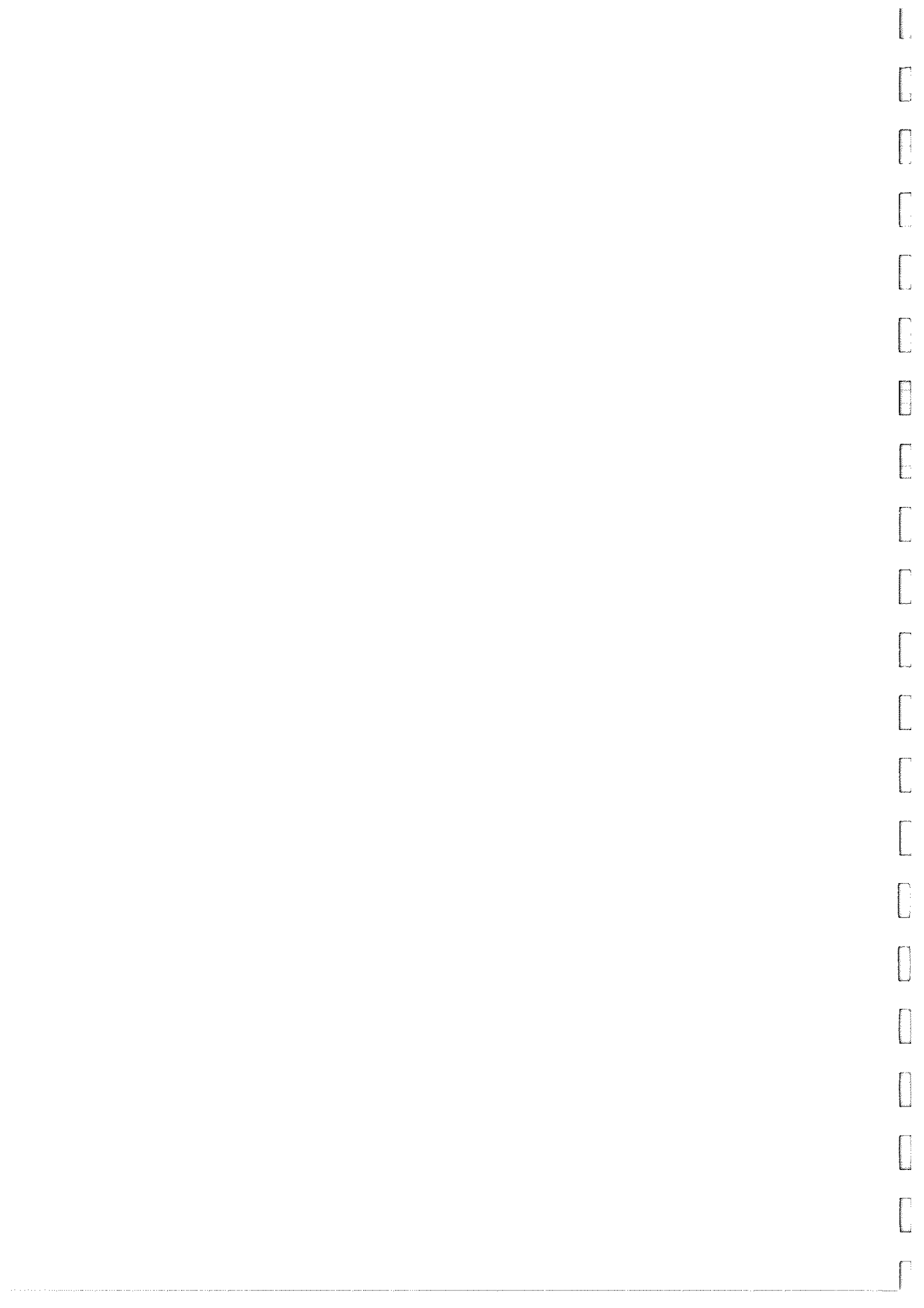
as FY:

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

Receipt - Exp - Ref - Refund = 31,000.00

= 65,39,299.48





MINISTRY OF HEALTH

Receipts and Payments Statement

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

1st Month of JUNE - 2019

Group/Broad Head Of Account	Receipts		Payments		Cumulative Balance (-) Cr, (+) Dr
	For the Month (Nu.)	Annual Progressive (Nu.)	For the Month (Nu.)	Annual Progressive (Nu.)	
Opening Balance :					
a. Cash	0.00				
b. Bank	1,168,978.53				
Releases :					
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			
Grants in-Kind :	0.00	0.00	0.00	0.00	
Borrowings in-Kind :	0.00	0.00	0.00	0.00	
Revenue Receipts/Remittances :	56,637.00	246,464.00	56,637.00	246,464.00	
Other Recoveries/Remittances :					
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	
Personal Advances :	0.00	291,418.00	0.00	291,418.00	0.00
Miscellaneous Receipts/Payments :					
a. Non-Revenue A/C. Deposits	0.00	0.00	0.00	80,424.00	
b. Refundable Deposit A/C. Deposits	0.00	0.00	0.00	50,000.00	

Print Date :06/11/2019

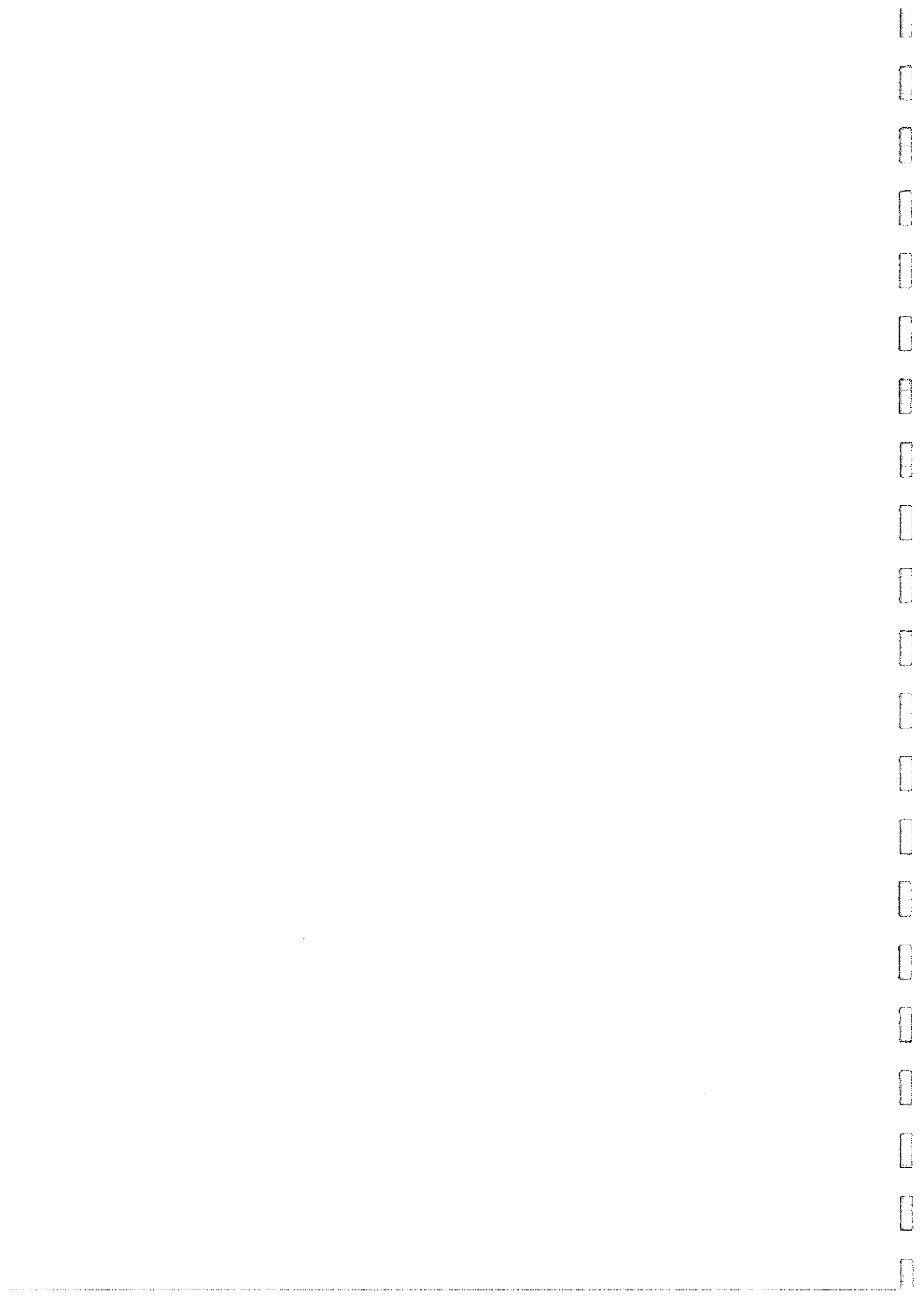
MINISTRY OF HEALTH
Receipts and Payments Statement
For A/C. No. 208.01/2026-PLC

For the Month of JUNE - 2019

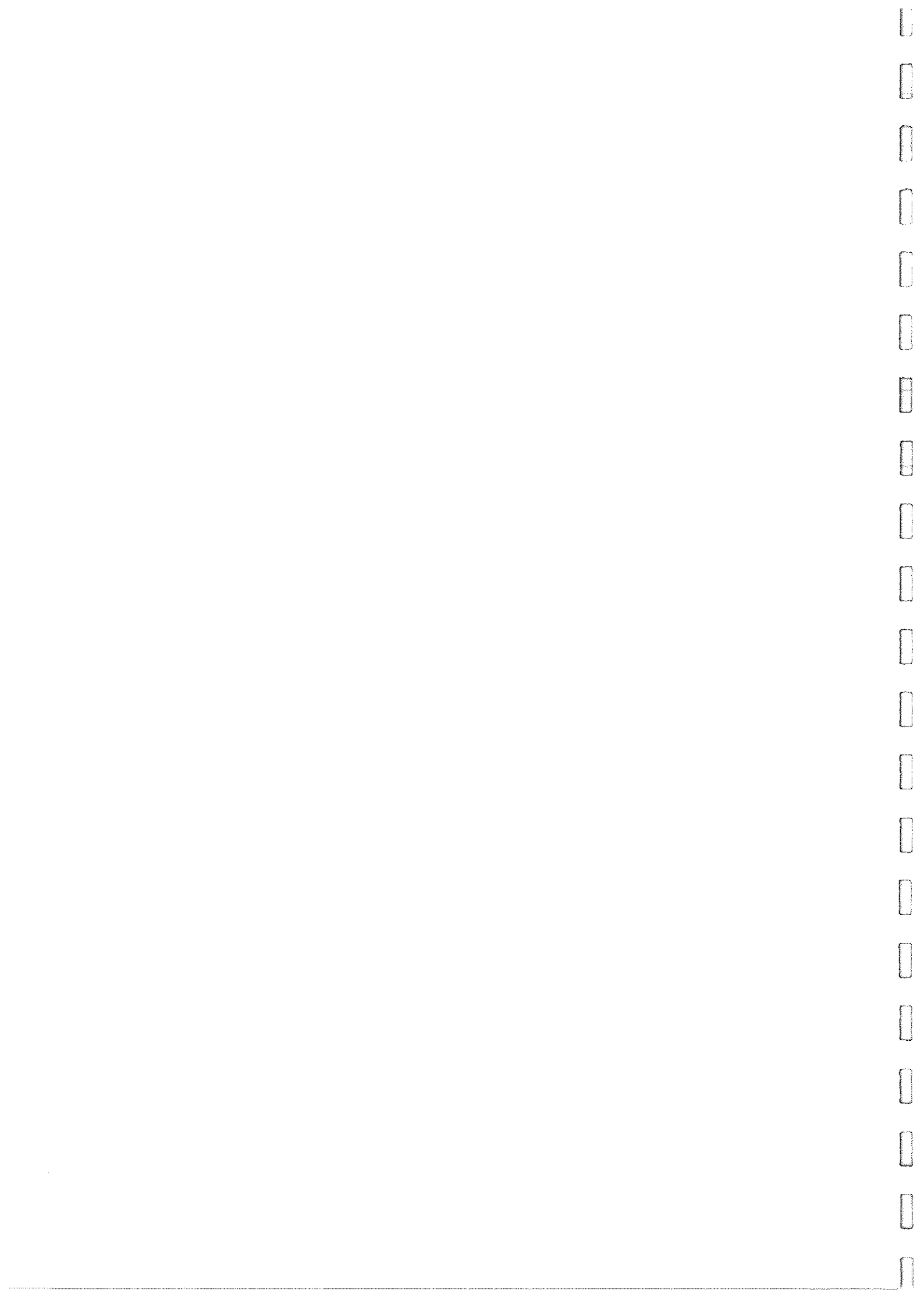
Group/Broad Head Of Account	Receipts		Payments		Cumulative Balance (+) Cr, (-) Dr
	For the Month (Nu.)	Annual Progressive (Nu.)	For the Month (Nu.)	Annual Progressive (Nu.)	
c. Payments to DPA	0.00	0.00	0.00	0.00	
d. Others	0.00	0.00	0.00	0.00	
Suspense :					
a. Stock	0.00	0.00	0.00	0.00	0.00
b. Purchases	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
Budgetary Expenditure :					
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	
Closing Balances :					
a. Cash			2,251.00	2,251.00	
b. Bank			5,536,047.96	6,536,047.96	
Grand Total :	26,396,491.53	36,086,698.00	26,396,491.53	36,086,698.00	

(Signature)
Head of Finance Section

Chief Finance Officer
(Signature) of Health
Head of Office
Thiruppur



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.

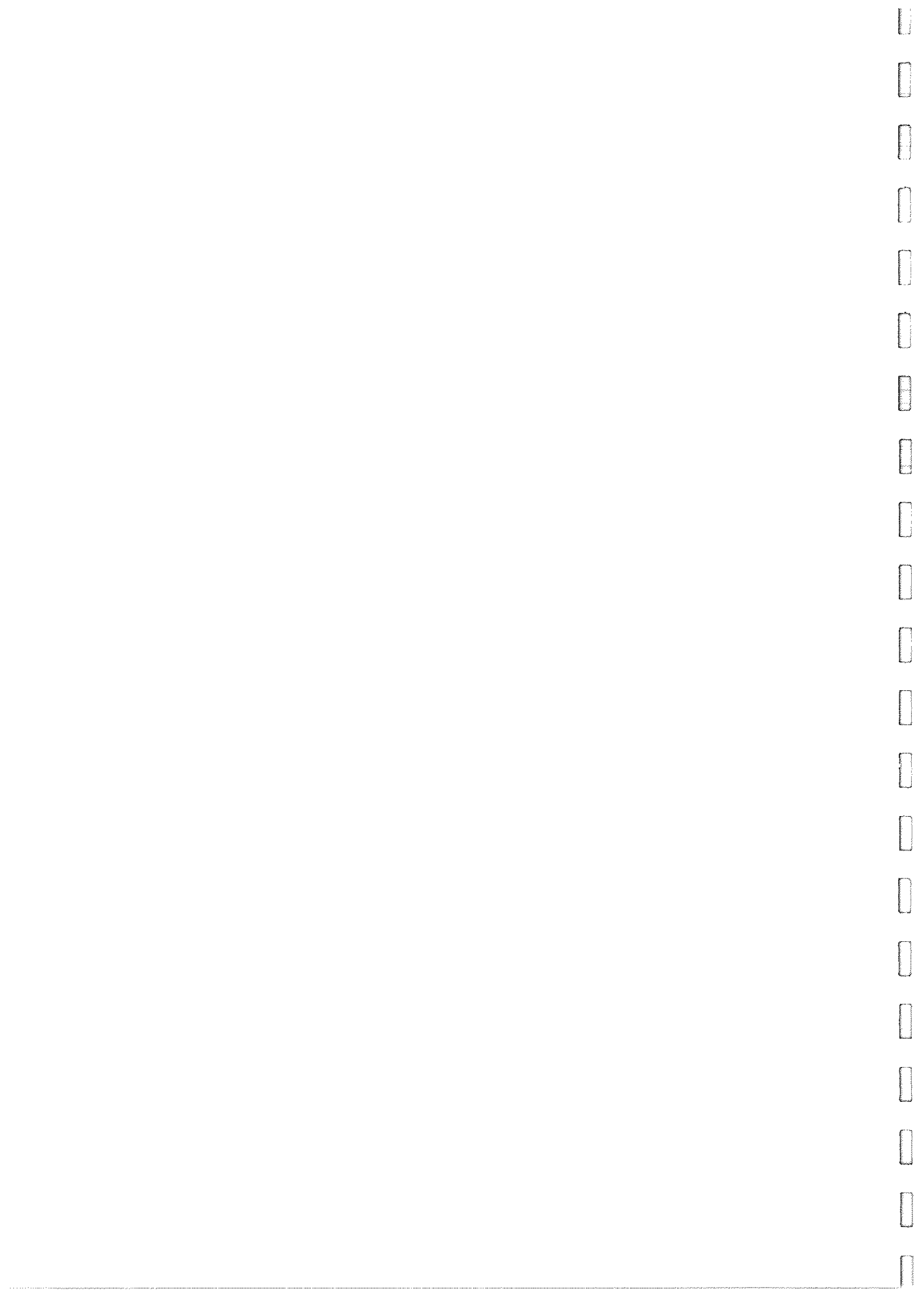
I hope you understand the problems that we are facing with the Thromdes and NLC, and reconsider your observation.

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

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

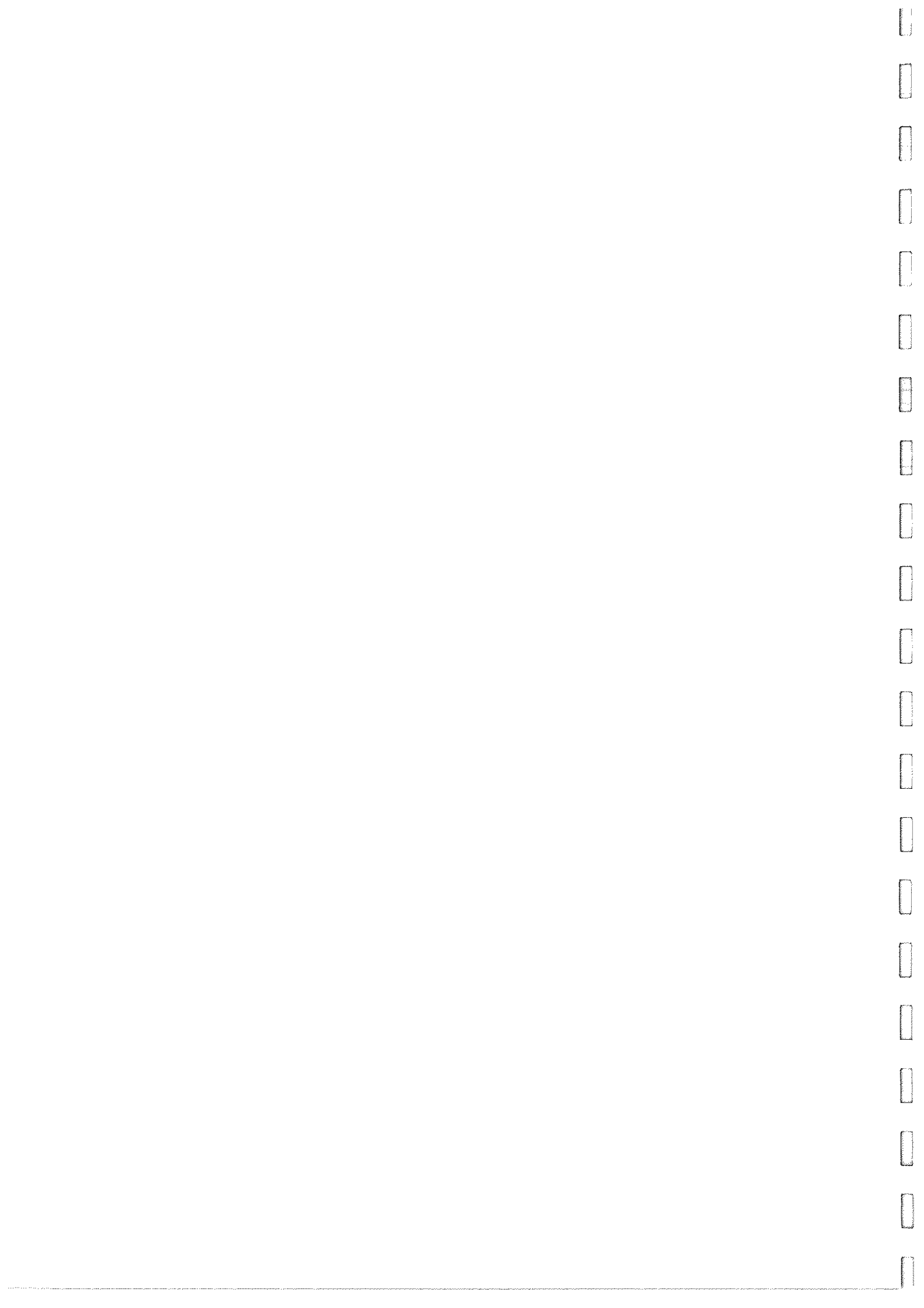
S. No.	National Consultant Position	No.
1	Project Manager	1
2	M&E Specialist	1
3	Project Assistant	1
4	Civil Engineer	1
5	Electrical Engineer	1
	Total	5

S. No.	Ministry of Health Staff	No.
1	Project Director	1
2	Project Focal	1
3	Procurement Officer	1
4	Project Accountant	1
	Total	4

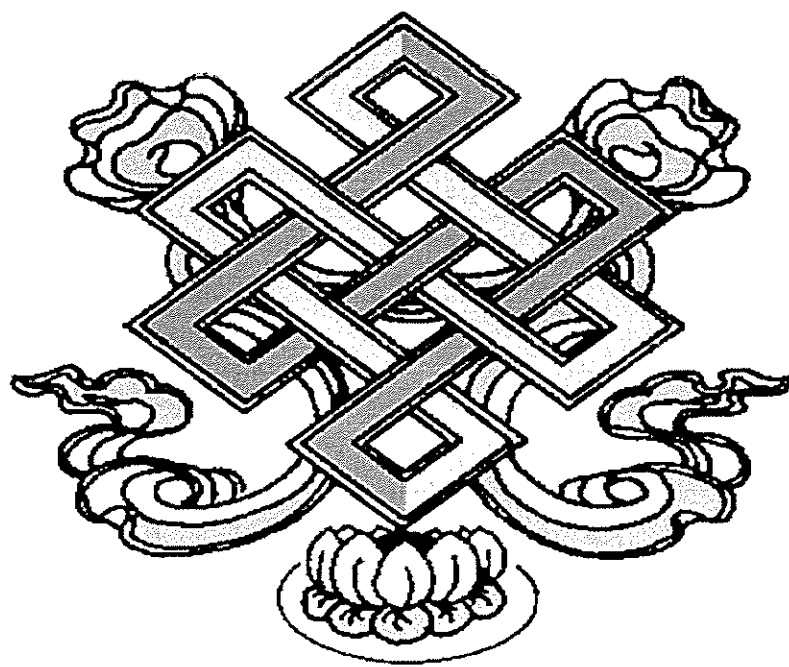
Annexure – B: Achievements

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:

						Amount in USD		
Sl. No.	Activity	Total Planned Implementation		Actual Out put Achieved	Actual Costs Incurred	Cumulative Actual Achieved Result as % of Total Planned Result		Remarks
		Qty.	Cost	Qty.	Cost	Output	Costs	
1	2	3	4	5	6	7=(5/3)* 100	8=(6/4)* 100	9
A	Investment Costs							
1	Civil Works							
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	Goods Procurement							
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	Consulting Firms							
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	Trainings & RollOut							
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

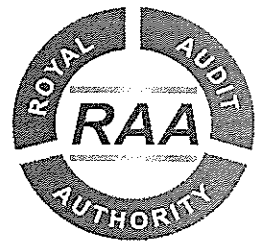
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ཀྲུལ་གཞུང་ཚུལ་ཞིབ་དབང་འཛིན།
ROYAL AUDIT AUTHORITY

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,

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 1¹ 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.

¹ 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.

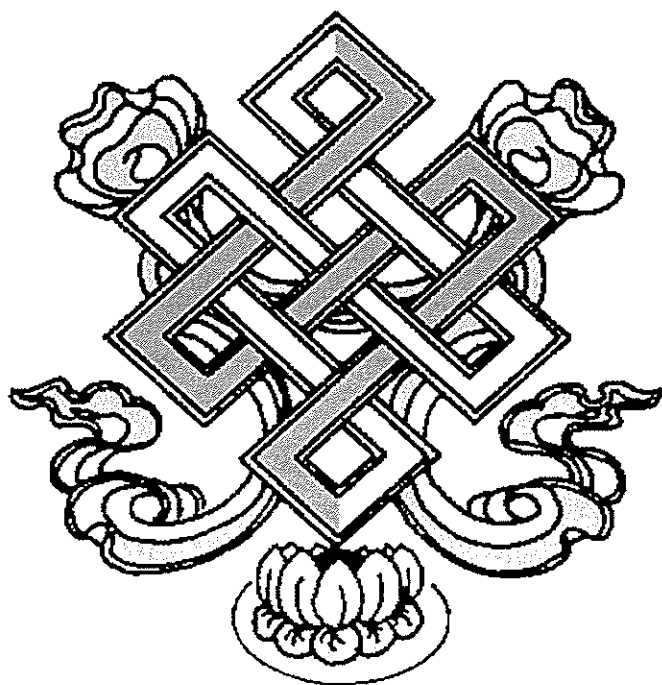
The memo was treated as settled:

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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