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

AIN: GGD-2021-84

**FINANCIAL AUDIT REPORT
OF THE WORLD BANK PROJECT ON
“PREPARATION OF STRATEGIC PROGRAM FOR
CLIMATE RESILIENCE”, GROSS NATIONAL
HAPPINESS COMMISSION,
THIMPHU**

PERIOD: 01.07.2020 TO 30.06.2021

SEPTEMBER 2021

“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 | Kawangjansa | Thimphu | Bhutan | Tel: +975-2-322111/328729/328730/324961 | Fax: +975-2-323491
Website: www.bhutanaudit.gov.bt | Email: info@bhutanaudit.gov.bt and auditorgeneral@bhutanaudit.gov.bt



རྒྱལ་གཞུང་ཚུམ་ཞིབ་དབང་འཛིན།

ROYAL AUDIT AUTHORITY

Bhutan Integrity House

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



RAA/GGD/Projects(SPCR-GNHC)/05/2021-22/7666 Dated: 13 September 2021

The Director
Department of Macroeconomic Affairs
Ministry of Finance
Thimphu

Subject: Financial Audit Report of the World Bank Project on “Preparation of Strategic Program for Climate Resilience”, Gross National Happiness Commission (GNHC), Thimphu for the period 01.07.2020 to 30.06.2021

Sir,

Enclosed herewith please find the audited **Financial Statements and Auditors’ Report** thereon in respect of the World Bank Project on ‘Preparation of Strategic Program for Climate Resilience’, GNHC, Thimphu for the financial year ended 30 June 2021. The audit was conducted as required under the Audit Act of Bhutan 2018, and in accordance with International Standards of Supreme Audit Institutions (ISSAIs).

Auditor’s Report on the Financial Statement

As may be noted from the auditors’ report, the financial statements are prepared by the Project, 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 deficiencies and lapses observed in the accounting records, internal controls and operations of the World Bank Funded Project, Preparation of Strategic Program for Climate Resilience, GNHC are reported herewith as audit findings along with recommendations, which also form part of the audited financial statement for the year ended 30 June 2021.

The RAA has reviewed the replies furnished by the World Bank Funded Project, Preparation of Strategic Program for Climate Resilience, PMU, GNHC and incorporated in the report. Out of three (03) audit findings, two (02) audit findings were settled in view of replies and related supporting documents, recoveries made and evidences furnished subsequently, which are transmitted separately to Project Management in the form of **Management Appraisal Report (MAR)** for future reference and compliance.

The World Bank Funded Project on Preparation of Strategic Program for Climate Resilience, the GNHC is requested to review the deficiencies and lapses pointed out and institute appropriate check and balance systems to curb such lapses in future. The Royal Audit Authority would appreciate receiving an Action Taken Report (ATR) **within three months** from the date of issuance of this report.

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Website: www.bhutanaudit.gov.bt | Email: info@bhutanaudit.gov.bt and auditorgeneral@bhutanaudit.gov.bt

Achievements

The RAA has noted achievements made by the World Bank funded project 'Preparation of Strategic Program for Climate Resilience' GNHC 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 Project which facilitated the completion of the audit.

Yours sincerely,



(Chhoden)

Assistant Auditor General

Copy to:

1. The Hon'ble Secretary, Ministry of Finance, Tashi Chhodzong, Thimphu
2. The Director, Gross National Happiness Commission, Thimphu
3. The Project Manager, Gross National Happiness Commission, Thimphu
4. The AAG, FUCD, Royal Audit Authority, Thimphu
5. Office copy

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20/21

TITLE SHEET

1.	Title	:	Financial Audit Report of the World Bank Project on 'Preparation of Strategic Program for Climate Resilience', GNHC, Thimphu
2.	AIN	:	GGD-2021-84
3.	Head of the Project	:	Rinchen Wangdi, Project Director EID No. 9407090, CID No. 11501001868 Kuenzang Lham Sangey, Chief Planning Officer EID No. 2001054, CID No.11410001534
4.	Drawing and Disbursing Officer	:	Kuenzang Dema, Senior Finance Officer EID No.200801133, CID No. 10906001687
5.	Finance Personnel	:	Kuenzang Dema, Senior Finance Officer EID No.200801133, CID No. 10906001687 Sonam Choden, Accounts Assistant EID No. 200807246, CID No.11405000404
6.	Period Audited	:	01/07/2020 to 30/06/2021
7.	Schedule of Audit	:	Start Date : 20/08/2021 End Date : 25/08/2021
8.	Composition of Teams	:	Team Leader: Chheda, Sr. Auditor EID No. 200407064, CID No. 11513002310. Team Member: 1. Subarna Pradhan, Sr. Audit Officer EID No. 201201160, CID No.11307002449 2. Ngawang Dorji, Audit Officer EID No. 20190113042, CID No.11502002135 3. Karma Jamtsho, Asst. Audit Officer EID No. 20200116971, CID No. 10706002985
9.	Supervising Officer	:	Chhoden, Assistant Auditor General EID No. 200501091
10.	Overall Supervising Officer	:	Tashi Tobgay, Deputy Auditor General EID No. 9811012
11.	Engagement Letter No	:	RAA/GGD/Projects(SPCR-GNHC)02/2021-22/1497 Dated. 20/08/2021
	Focal Person	:	Ngawang Dorji
13.	Date of Exit Conference	:	Not conducted

Acronyms

AAG	:	Assistant Auditor General
AIN	:	Audit Identification Number
AR	:	Audit Report
BSR	:	Bhutan Schedule Rate
CIF	:	Climate Investment Fund
DES	:	Department of Engineering Service
DHS	:	Department of Human Settlement
DoA	:	Department of Agriculture
DPA	:	Department of Public Accounts
EID	:	Employee Identification Number
EARRD	:	Engineering Adaptation & Risk Reduction
FIC	:	Financing Code
FUCD	:	Follow up and Clearance Division
FOREX	:	Foreign Exchange
GGD	:	General Governance Division
GNHC	:	Gross National Happiness Commission
ISSAIs	:	International Standards of Supreme Audit Institutions
IUFR	:	Interim Unaudited Financial Report
MoWHS	:	Ministry of Works and Human Settlement
NCHM	:	National Centre of Hydrology and Meteorology
NEC	:	National Environment Commission
PPCR	:	Pilot Program for Climate Resilience
PLC	:	Project Letter of Credit
RAA	:	Royal Audit Authority
RMA	:	Royal Monetary Authority
SoE	:	Statement of Expenditures
SPCR	:	Strategic Program for Climate Resilience

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2. Use of Fund by Components and Sub-components
3. Reconciliation of Designed Accounts and Request for funds
4. Statement of Post Review Contracts
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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 THE FINANCIAL STATEMENTS OF THE WORLD BANK PROJECT ON "PREPARATION OF STRATEGIC PROGRAM FOR CLIMATE RESILIENCE", GNHC, THIMPHU FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Opinion

We have audited the accompanying financial statements of the World Bank Project on "Preparation of Strategic Program for Climate Resilience", Gross National Happiness Commission, Thimphu (PLC Account No.117.01/2003, FIC:4564) which comprise the Summary of Sources and Uses of funds, Summary of expenditures by project component wise, Statement of Expenditure (SoE) including summary of significant accounting policies for the financial year ended 30 June 2021.

In our opinion, the financial statements are prepared, in all material respects, in accordance with the Standard Conditions of the Grant Agreement.

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 **World Bank funded Project, 'Preparation of Strategic Program for Climate Resilience' GNHC, Thimphu** 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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the special purpose project financial statements, which describes the basis of accounting. The special purpose project financial statements are prepared to assist the project's management to comply with the financial reporting provisions of the Project Agreement, which requires the special purpose project financial statements to comply with the Standard Conditions of the Grant Agreement. As a result, the special purpose project financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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 Standard Conditions of the Grant Agreement 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 Project's financial reporting process.

"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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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 judgement 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 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 Foreign Currency 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 funds provided under Grant No.: TF0A4475 have been utilized for the purpose for which they were provided;
- All expenditures incurred and reported are eligible for financing under the Grant Agreements;
- With respect to Statement of Expenditures (SoEs), adequate supporting documents has been maintained to support claims to the World Bank for reimbursements of expenditures incurred;
- The FOREX conversation rate for fund transfer is recognized based on exchange rate prevailing on the date of transfer of fund to Department of Public Accounts (DPA) from the Designated Account maintained with Royal Monetary Authority (RMA) of Bhutan;
- The Direct Payment made by the World Bank in Foreign Currency has been converted to local currency at the exchange rate prevalent on the date of transaction; and

- The overall reconciled fund balance of the Project as at 30 June 2021 stands at Nu.870,564.69 with Department of Public Accounts (DPA).



(Chhoden)
Assistant Auditor General

Date: 13 Sep 2021

ENCLOSURES

Gross National Happiness Commission (GNHC)

World Bank Grant no. TF0A4475

Statement of Sources and Uses of Funds

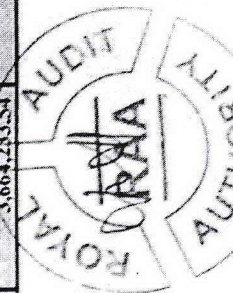
Quarter IX- March 1, 2021 - March 31, 2021

FMR Form - 1

	Year 2019-2020	July 1 - Feb 28 2021	March 1 - March 31	July 1, 2020 - March 31, 2021	Cumulative Total (Project Period)
A. Sources of Funds					
1. Budgetary Fund Released from DPA	14,490,000.00	3,310,000.00	50,000.00	3,360,000.00	101,158,898.49
2. Fund Release (Lapsed)					
3. Non Revenue/Refundable/Other Receipts & Payments (Net)					
Total Source of Funds	14,490,000.00	3,310,000.00	50,000.00	3,360,000.00	101,158,898.49
B. Uses of funds					
1. Expenditures incurred under Component A					55,775,778.93
2. Expenditures incurred under Component B	7,987,710.10	2,479,831.96	2,416,190.50	4,896,022.46	33,797,725.53
Total Fund Use	7,987,710.10	2,479,831.96	2,416,190.50	4,896,022.46	89,573,504.46
C. Net Change (A-B)	6,502,289.90	830,168.04	(2,366,190.50)	(1,536,022.46)	11,585,394.03
D. Opening Balances					
1. PLC - Cash			3,030,424.04		
2. PLC - Bank			3,000,000.00	5,200,256.00	
3. Advances	10,603.65	5,200,256.00			
4. Deposit works					
5. Other Deposits					
5. Net change (C above)	6,502,289.90	830,168.04	(2,366,190.50)	(1,536,022.46)	11,585,394.03
Total Opening Balances :-	6,512,893.55	6,030,424.04	3,664,233.54	3,664,233.54	11,585,394.03
E. Closing Balances					
1. PLC - Cash					
2. PLC - Bank		3,030,424.04	664,233.54	6,664,233.54	6,664,233.54
3. Advances	5,200,256.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00
4. Deposit works					
5. Other Deposits					
6. Lapsed LC balances	1,312,637.55				7,921,160.49
Total Closing Balances (NU) :-	6,512,893.55	6,030,424.04	3,664,233.54	3,664,233.54	17,585,394.03

Amounts in Nu

Prepared by: Nado, Project Officer
April, 2021



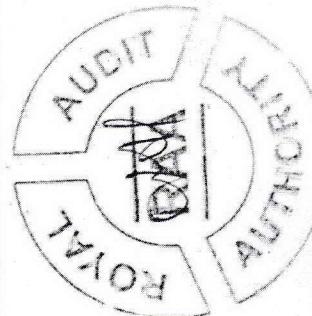
Interim Unaudited Financial Report

Gross National Happiness Commission (GNHC)
 World Bank Grant no. TF0A4475
 Statement of Uses of Funds & Projections by Project Activities
 Quarter IX: July 2020 to March 31, 2021: Fiscal Year 2020-2021

Project Components/Sub Components	Project Allocation (USD)	Expenditure						Forecast for next six months		Total
		Year 2016-2017	Year 2017-2018	Year 2018-2019	Year 2019-2020	July 1, 2020 - March 31, 2021	Cummulative to Date	July to September, 2019	October to December, 2019	
Component A: Development of the SPCR	1,050,000.00	495,313.54	32,993,455.80	22,287,009.59	-	-	55,775,778.93	-	-	-
A.1 Preparation of SPCR		495,313.54	-	-	-	-	6,126,904.93	-	-	-
- SPCR International Consultant		495,313.54	5,631,591.39	4,326,391.39	-	-	4,821,704.93	-	-	-
- SPCR Local Consultant		-	1,305,200.00	-	-	-	1,305,200.00	-	-	-
A.2 Enhancing information base for hydromet services and climate resilience		-	-	-	-	-	-	-	-	-
- Climate vulnerability mapping and risk identification and services, NCHM		-	10,203,142.21	5,657,530.00	-	-	15,860,672.21	-	-	-
A.3 Preparedness, Food and Water security		-	-	-	-	-	-	-	-	-
- Analysis of climate impact on water scarcity and development implementation plan for critical watersheds, WMD, MoAF		-	4,752,040.00	4,155,660.00	-	-	8,907,700.00	-	-	-
- Assessment of flooding hazards, DEM, flood mitigation options for flood vulnerable districts (southern belt), FEMD, DES, MoWHS		-	3,774,482.20	11,499,423.24	-	-	15,273,905.44	-	-	-
A.4 Sustainable Growth and Resilient Infrastructure		-	-	-	-	-	-	-	-	-
- Climate smart urban planning and development, DHS, MoWHS		-	5,427,700.00	974,396.35	-	-	6,402,096.35	-	-	-
- Private sector for climate resilience, GNHC		-	-	-	-	-	-	-	-	-
A.5 Strengthening Governance, institutional coordination and human resource capacity		-	-	-	-	-	-	-	-	-
- Human resource capacity analysis and curricula development for climate, meteorology and hydrology, NCHM & NEC		-	3,204,500.00	-	-	-	3,204,500.00	-	-	-
Component B: Capacity Building, Consultations, Institutional Coordination, and Project Management	450,000.00	119,522.00	7,021,188.38	13,773,282.59	7,987,710.10	4,896,022.46	33,797,725.53	-	-	-
B.1 Strengthen Technical capacities among key stakeholders, institutional coordination meeting among key stakeholders, GNHC		119,522.00	7,021,188.38	7,501,689.05	-	-	14,642,399.43	-	-	-
- Professional Services		52,486.00	381,747.00	431,000.00	356,334.00	256,376.50	1,477,943.50	-	-	-
- Long term training on climate resilience		-	5,923,165.38	12,486,000.00	7,281,750.10	2,636,385.96	28,337,301.44	-	-	-
- Trainings, Workshops, seminars at local and national levels		46,036.00	491,213.00	856,282.59	314,000.00	628,070.00	2,335,601.59	-	-	-
- Operating Cost/Equipment		21,000.00	225,063.00	-	35,626.00	1,375,190.00	1,656,879.00	-	-	-
Total	1,500,000.00	614,835.54	40,014,644.18	36,060,292.18	7,987,710.10	4,896,022.46	89,573,504.46	-	-	-
Category 1										
Category 2										



Prepared by: Nado, Project Officer
 April, 2021



Interim Unaudited Financial Report
 Gross National Happiness Commission
 World Bank Grant no. TF0A4475

Quarter IX- July 2020 to February 28 2021 Fiscal Year 2020-2021
 IDA Advance Account Reconciliation Statement & Cash Projection
 Currency of Advance Account: Ngultrums

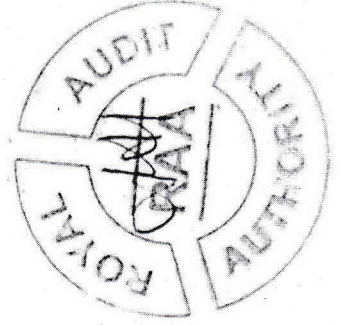
PART I	Nu	Designated/UN Account
1. Cumulative advances to end of current reporting period	98,545,069.15	
2. Cumulative expenditures to end of last reporting period	87,157,313.96	
3. Outstanding Advance to be accounted (line 1 minus line 2)	11,387,755.19	
PART II		
4. Opening advance balance at beginning of reporting period (as of dated)	5,101,000.00	Closing Bal in Last Qi
5. Advances from World Bank during reporting period	-	
6. Outstanding advances to be accounted for (add line 4 and line 5)	5,101,000.00	
7. Closing advance balance at end of current reporting period (as of dated)	5,101,000.00	BOB
8. Expenditures for current reporting period	2,416,190.50	
9. Add Line 7 and line 8	7,517,190.50	
10. Difference (if any) (line 3 minus line 9) /see note 1 below	3,870,564.69	(explained in Note 1-b)
PART III		
11. Total forecasted amount to be paid by World Bank	-	
12. Closing advance balance at the end of current reporting period (same as Line 7)	5,101,000.00	
13a. Difference (if any) same as Line 10	3,870,564.69	
13b. Cash requirement from World Bank for next two reporting periods (line 11 minus line 12 minus line 13) / vi	(8,971,564.69)	

Note 1:

Explanation for differences:

Balance at PLC Account	
Lapsed Budget	870,564.69
With govt, in the govt. budget fund account operated by DPA, MoF	3,000,000.00
Advance	
Total	3,870,564.69

Nado, Project Officer
 April, 2021

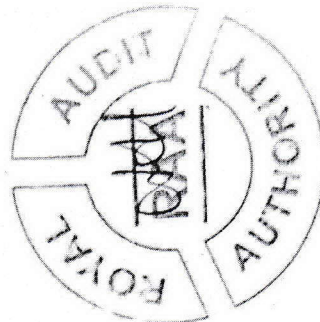
World Bank Grant no. TF0A4475

Statement of Prior Review Contracts
 Quarter IX: July 2020 to February 4 2021. Fiscal Year 2020-2021

Amt Nu (USD-66.79 BTN)

Project Component	Category (Works, Goods or Services)	SAP Nos. (If applicable) & Date of No Objection	Name of Supplier/Contractor	Contract Award Date	Procurement Method	Original Amount	Revised Amount I	Revised Amount II	Start Date	Close Date	Revised Closed Date I	Revised Closed Date II	Advances (net of adjustments)	Paid this quarter	Paid up to start of quarter	Year to Date 2016-2017	Cumulative to Date	
Component A (Development of the SPGR)																		
Component B (Capacity Building, Consultations, Institutional Coordination, and																		
B.2 a																		
B.2 b																		
Sub Total																		
Grand Total																		

1/ Amendments that are subjected to Bank No Objection should be included as an additional line with the same contract number and amendment number.
 2/ SAP number will be provided by The Bank

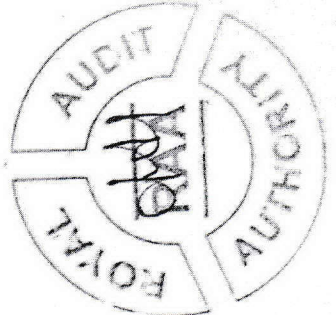


World Bank Grant no. TP0A4475

Statement of Post Review Contracts
 Quarter IX: July 2019 to February 4 2021 - Fiscal Year 2018-2021

Ann. No. (UUSD-04.09RTN)

Project Component	SAP No. (If applicable & Date of No. Objection)	Name of Supplier/Contractor	Contract Award Date	Procurement Method	Original Amount	Revised Amount	Start Date	Close Date	Revised Close Date	Advance (as % of advancement)	Fiscal Year	Year to Date 2019-2020	Year to Date 2019-2020	% of physical progress	
Component A (Development of the SVCR)															
SPCR consultant (international)		services		CV	4,821,704.93	4,821,704.93	06/2017	01/2019				4,821,704.93	4,821,704.93	100.00	
SPCR consultant (local)		services		CV	1,305,200.00	1,305,200.00	11/2017	03/2019				1,305,200.00	1,305,200.00	100.00	
Enhancing information base for hydromet services and climate resilience					16,022,500.00	15,960,672.21	01/2017	01/2019				15,960,672.21	15,960,672.21	98.99	
- Climate vulnerability mapping and risk identification and services. NCIIM		Deposit Work													
Preparedness, Food and Water security															
Analysis of climate impact on water scarcity and development implementation plan for critical watersheds, WMD, MoAF		Deposit Work			12,818,000.00	8,997,790.00	09/2017	01/2019				8,997,790.00	8,997,790.00	69.49	
Assessment of flooding hazards, DEM, flood mitigation options for flood vulnerable districts (southern belt), FEMD, DIES, MoWHH		Deposit Work			16,022,500.00	15,273,905.44	09/2017	01/2019				15,273,905.44	15,273,905.44	95.33	
Sustainable Growth and Resilient Infrastructure		Deposit Work			6,495,800.00	6,492,696.35	08/2017	03/2019				6,492,696.35	6,492,696.35	99.89	
Climate smart urban planning and development, DHS, MoWHH		Deposit Work													
Private sector for climate resilience, GNHC															
Strengthening Governance, institutional coordination and					3,204,500.00	3,204,500.00	09/2017	01/2019				3,204,500.00	3,204,500.00	100.00	
Human resource capacity analysis and curricula development for climate, meteorology, and hydrology, NCIEM & NCC		Deposit Work													
Component B (Capacity Building, Consultations, Institutional Coordination, and Project Management)															
non consulting					2,243,150.00	11,500.00	5/1/2017	9/1/2020				246,003.00	18,563,879.00	73.86	
B. Operating Cost & Equipment		contractual			26,597,350.00	3,107,758.43	5/2/2017	9/2/2020				18,409,165.38	28,632,301.44	106.50	
Training HRD					1,281,800.00	279,024.00	11/5/2017	30/9/19				865,333.00	1,477,943.50	115.30	
Professional Services					5,764,100.00	1,393,331.50	3/3/2017	9/3/2020				314,000.00	2,135,601.50	30.49	
B. Expenses															
B.1 c															
Grand Total															
Grand Total														88,573,944.86	



1/ Amendments that are submitted to Bank. No. Objections should be included as an additional line with the same contract number and amendment number

Prepared by: Nado, Project Officer

[Signature]

GROSS NATIONAL HAPPINESS COMMISSION

Printed Date :09/07/2021

Expenditure Statement

For A/C No. : 117.01/2003 - PLC

Program Code : 006 - NATIONAL PLANNING SERVICES

For the Month Of JUNE - 2021

SP	Codes				Name	Expenditure for the month (Nu.)			Annual Progressive Expenditure (Nu.)				
	AC	SAC	FIC	OBC		Amount	PERS ADV&PWA	Suspense	Current Budget Amount (Nu.)	Amount	Personal Advance	Susp	
001	035	01	4564		GENERAL ADMINISTRATION & DIRECTION SERVICES SPCR PROJECT MANAGEMENT PREPARATION OF SPCR Preparation of Strategic Program for Climate Resilience Training - Human Resource Development Training - Others Office Equipment Professional Services PWA Others		45,518.00		4,120,000.00 600,000.00 1,400,000.00 257,000.00	2,636,385.96 628,070.00 1,375,190.00 256,376.50			
					Total FIC		45,518.00	-1,500.00					4,896,022.46
					Total Sub-Activity		45,518.00	-1,500.00					4,896,022.46
					Total Activity		45,518.00	-1,500.00					4,896,022.46
					Total Sub-Program		45,518.00	-1,500.00					4,896,022.46

Accounting Officer
Admin. & Finance Dept.
GNH Commission

[Handwritten Signature]

Printed Date :09/07/2021

Expenditure Statement

For A/C No. : 117.01/2003 - PLC

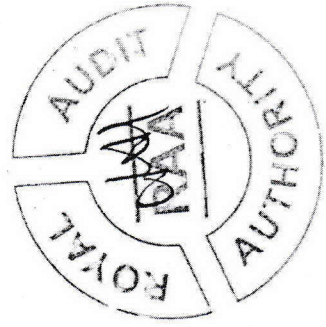
Program Code : 006 - NATIONAL PLANNING SERVICES

For the Month Of JUNE - 2021

SP	Codes			Name	Expenditure for the month (Nu.)			Current Budget Amount (Nu.)	Annual Progressive Expenditure (N		
	AC	SAC	FIC		OBC	Amount	PERS ADV&PWA		Suspense	Amount	Personal Advance
				Total Program	Current Capital Lending Repaymen	45,518.00	-1,500.00				0.00
				Grand Total	Current Capital Lending Repaymen	45,518.00	-1,500.00				4,896,022.46

[Handwritten Signature]

[Handwritten Signature]
 Accounts Officer
 Admin. & Finance Div.
 GNH Commission



FINANCIAL INFORMATION ON EXTERNAL PROJECTS INCLUDING OUTSTANDING ADVANCES

FOR THE FISCAL YEAR 2019-2020 TO 2021-2022

FICCODE FROM - 4564 FICCODE TO- 4564 / DONOR - ALL

(Amount in Nu.)

FY/AU	FIC	ADMINISTRATIVE UNIT/PROJECT NAME	CASH RECEIPT	RELEASE	EXP-INCASH	OUTSTANDING ADVANCE	REFUND	CASH WITH GOVT.
2019-2020 117.01	4564	GROSS NATIONAL HAPPINESS COMMISSION Balance from Previous years: Preparation of Strategic Program for Climate Resilience	0.00			10,603.65 5,189,652.35		16,743,693.60
		Balance carried forward from Pems		11,450,000.00	7,987,710.10			0.00
		117.01/01/01/006/001/035.01/4564[PREPARATION OF SPCR]		3,040,000.00				
		117.01/01/01/006/001/035.06/4564[ANALYSIS CLIMATE IMPACT ON WATER SCARCITY AND DEVELOPMENT IMPLEMENTATIONS PLAN FOR CRITICAL WATERSHEDS WMD MOAF]						
		TOTAL 4564:	0.00	14,490,000.00	7,987,710.10	5,200,256.00	0.00	3,566,331.15
		TOTAL 117.01:	0.00	14,490,000.00	7,987,710.10	5,200,256.00	0.00	3,566,331.15
		TOTAL 2019-2020:	0.00	14,490,000.00	7,987,710.10	10,603.65	0.00	3,566,331.15
2020-2021 117.01		GROSS NATIONAL HAPPINESS COMMISSION Balance from Previous years: Preparation of Strategic Program for Climate Resilience	0.00			5,200,256.00 -2,200,256.00		3,566,331.15
	4564	Balance carried forward from Pems						0.00

FINANCIAL INFORMATION ON EXTERNAL PROJECTS INCLUDING OUTSTANDING ADVANCES
FOR THE FISCAL YEAR 2019-2020 TO 2021-2022

FICCODE FROM - 4564 FICCODE TO- 4564 / DONOR - ALL

(Amount in Nu.)

FY/AU	FIC	ADMINISTRATIVE UNIT/PROJECT NAME	CASH RECEIPT	RELEASE	EXP-IN-CASH	OUTSTANDING ADVANCE	REFUND	CASH WITH GOVT.
		117.01/01/01/006/001/035.01/4564(PREPARATION OF SPCR)		3,360,000.00	4,896,022.46			
		TOTAL 4564:	0.00	3,360,000.00	4,896,022.46	3,000,000.00	0.00	870,564.69
		TOTAL 117.01:	0.00	3,360,000.00	4,896,022.46	3,000,000.00	0.00	870,564.69
		TOTAL 2020-2021:	0.00	3,360,000.00	4,896,022.46	10,603.65	0.00	870,564.69
		GRAND TOTAL:	0.00	17,850,000.00	12,883,732.56	2,989,396.35	0.00	870,564.69

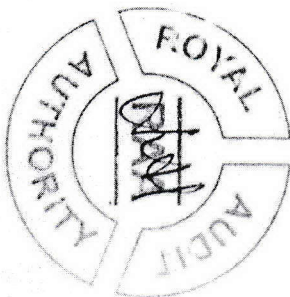
Formula for Cash With Government

Current FY:

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

Previous FY:

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



STATEMENT OF ACCOUNT

ACCOUNT NO. : 200452959	ACCOUNT TYPE : CA - GOVERNMENT DEPT
CUSTOMER NO : 20310757	NAME : BHUTAN BLSS ECONOMIC CENSUS PROJECT
STATEMENT FROM : 01-JAN-2021 to 31-MAR-2021	ADDRESS : TFSCB GRANDNO OA4200
DATE OF OPENING : 08-MAR-2017	: THIMPHU
OD Limit : 0	: THIM THROM NA
CURRENT BALANCE : 5,101,000.00	: 000000
RATE : 0	BRANCH NAME : THIMPHU MAIN BRANCH

Opening Balance as on 29/01/2021: 41,717,212.89

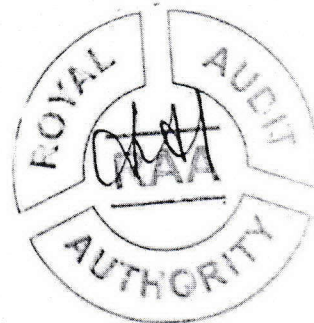
POST DATE	VALUE DATE	PARTICULARS	CHEQUE NO/ REFERENCE	DEBIT	CREDIT	BALANCE
29/01/2021	29/01/2021	TO TO TRANSFER:WRONGLY CREDITED TO ACC 200452959 DMEA/DMD/L/-5549: BILL 000000020078725:00020		36,616,212.89		5,101,000.00
Total				36,616,212.89	0.00	

STATEMENT SUMMARY :-	OPENING BALANCE	TOTAL DEBIT	TOTAL CREDIT	CLOSING BALANCE
	41,717,212.89	36,616,212.89	0.00	5,101,000.00

END OF STATEMENT

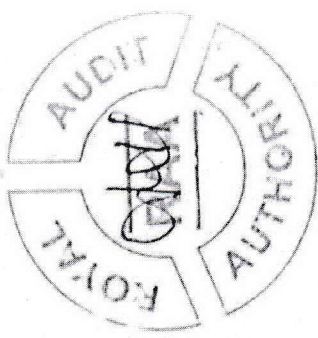
UNLESS A CONSTITUENT NOTIFIES THE BANK IMMEDIATELY OF ANY DISCREPANCY FOUND BY HIM/HER IN HIS/HER STATEMENT OF ACCOUNT IT WILL BE TAKEN THAT HE/SHE FOUND THE ACCOUNT CORRECT.

THIS IS A COMPUTERIZED STATEMENT AND MAY NOT REQUIRE SIGNATURE.



Ministry of Finance			
Preparation of SPCR - P159600			
Grant No. TF0A4475			
STATEMENT OF WA CLAIMS SUBMITTED AND DISBURSEMENT UNDER WORLD BANK			
1st June, 2017 till 31st July 2021			
Withdrawal Application	Claims submitted		Disbursed from World Bank
	USD	BTN	USD BTN
WA 1	1,487,262.07	98,545,069.15	1,487,262.07 98,545,069.15
	1,487,262.07	98,545,069.15	1,487,262.07 98,545,069.15

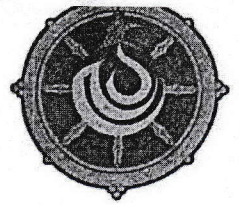

 Nado
 Project Officer





དཔལ་ལྷན་འབྲུག་གཞིན་དུ།
 རྒྱལ་ཡོངས་དགའ་སྐྱིད་དཔལ་འཛོམས་ལྷན་ཚོགས།

Royal Government of Bhutan
 Gross National Happiness Commission



Significant Accounting Policies and Explanatory Notes

1. The Project Financial Statement have been prepared on cash basis;
2. Receipt of funds in the project are recognized on the basis of receipt of release from DPA, Ministry of Finance
3. Expenditure is accounted for on cash as and when disbursement is made; and
4. Replenishment from the World Bank are made based on Interim Unaudited Financial Report (IUFR) submitted on quarterly basis by Plan Monitoring and Coordination Division, Gross National Happiness Commission

(Nado)
 Project Officer

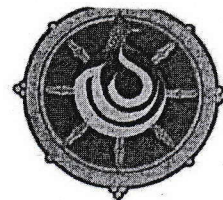
(Sonam Choden)
 Accounts Officer





དཔལ་ལྷན་འབྲུག་གཞུང་།
 རྒྱལ་ཡོངས་དགའ་སྲིད་དཔལ་འཛོམས་ལྷན་ཚོགས།

Royal Government of Bhutan
 Gross National Happiness Commission



GNHC/PMCD/SPCR/2021-2022/2078


August 23, 2021

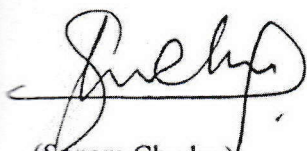
The Auditor General
 Royal Audit Authority
 Royal Government of Bhutan

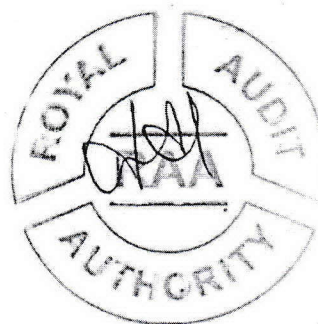
Sir,

This assertion letter is provided in connection with your audit of the financial statements of the Preparation of Strategic Program for Climate Resilience Project for the year ended 30 June 2021. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the cash basis of accounting followed by the Royal Government of Bhutan, and we confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

- The project financial statements are free of material misstatements, including omissions.
- The Project funds have been used for the purposes for which they were provided.
- Project expenditures are eligible for financing under the Credit/Grant agreement.
- There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the project financial statements.
- We have made available to you all books of account and supporting documentation relating to the project.
- The project has complied with the conditions of all relevant legal agreements, including the Financing Agreement, the Project Agreement, the Project Appraisal Document, the Minutes of Negotiations, and the Borrower's Project Implement Plan.


 (Nado)
 Project Officer


 (Sonam Choden)
 Accounts Officer



**AUDIT FINDINGS AND
RECOMMENDATIONS**

AUDIT FINDINGS AND RECOMMENDATIONS

The Royal Audit Authority while reviewing the accounting records, internal controls and operations of PLC Account operated by World Bank Funded Project, 'Preparation of Strategic Program for Climate Resilience', GNHC noted that internal controls including supervisory controls and monitoring were generally adequate, however certain deficiencies and lapses were noted as discussed below:

1. Non adjustment of outstanding advance against deposit work (Nu. 3.00 million) (2.1.9)

Review of memorandum register for the financial year 2020-2021 revealed that an amount of Nu. 3,000,000.00 released to Watershed Management Division, Ministry of Agriculture and Forest against deposit work advance for ex-country training on Sustainable Natural Resources and Climate Resilient Practice vide DV. 1.9 dated 24/01/2020 was not adjusted as on the date of audit (25 August 2021) despite project term being extended till 31 March 2021 and duration of the settlement of disbursement being extended till 31 July 2021.

In this regard, audit upon inquiry to concerned dealing official from Watershed Management Division, Ministry of Agriculture and Forest was explained that the amount was diverted for the procurement of equipment from ex-country training on Sustainable Natural Resources and Climate Resilient Practice which could not be completed within the project tenure due to failure on the part of supplier to supply the ordered quantity of equipments on time.

Therefore, the Project Management in consultation with the Watershed Management Division, Ministry of Agriculture and Forest should elucidate RAA with necessary substantiations for non-implementation of project activities within the extended project term and not utilizing the deposit work advance released since the issue of outstanding advance against deposit work was raised during audit of FY 2019-20 on same activity. Further, the SPCR project management of GNHC is requested to take appropriate measures to account back the unspent amount released against the deposit work and settle outstanding advance against Watershed Management Division in the E-PEMS.

Auditee's Response:

The Watershed Management Division, Ministry of Agriculture and Forest has been asked to refund the whole deposit work advance of Nu. 3.million which Watershed Management Division, Ministry of Agriculture and Forest had not executed the planned activity of Project within the extended project duration for settlement of disbursement.

RAA's Further Comments & Recommendations:

While taking note of the response, it is to reiterate that Project Management Unit of Gross National Happiness Commission had not adjusted the deposit work advance of Nu.3,000,000.00 released during the financial year 2019-2020 against Watershed Management Division, Ministry of Agriculture and Forest for ex-country training on Sustainable Natural Resources and Climate Resilient Practice which was later diverted for the procurement of equipments which also could not be implemented within the project extended duration for settlement of disbursement.

Therefore, the Project Management Unit, GNHC should followup with the Watershed Management Division, Ministry of Agriculture and Forest for refund of deposit work advance

released and accordingly make adjustment after surrendering back to Government Budget Fund Account since Watershed Management Division, Ministry of Agriculture and Forest had not executed the project planned activity within the extended project duration for settlement of disbursement.

Further, the Project Management of Preparation of Strategic Program for Climate Resilience, GNHC should strengthen internal control mechanism to ensure that advance released to implementing partners against planned activities of project are settled within the project duration for settlement of disbursement to avoid such non settlement of outstanding advance against deposit work even after expiry of project duration for settlement of disbursement due to non implementation of planned activities by implementing partners in future.

Who is Accountable?

Direct Accountability:

*Ngawang Dorji, Sr. Forestry Officer, EID No. 20160106439,
CID No.11102005929*

Supervisory Accountability:

*Sigyel Dema, Chief Forestry Officer, EID No. 200501108,
CID No. 11705001645*

ANNEXURES

Introduction

The Strategic Program for Climate Resilience (SPCR) is funded through a grant of US\$1.5million from the Pilot Program for Climate Resilience (PPCR), under the Climate Investment Funds (CIF) in 2015 and finalized in 2016. The project is implemented by the Gross National Happiness Commission in close coordination with line agencies which include the following:

- (i) **National Center for Hydrology and Meteorology:** Hydro-Meteorological Extreme Analysis, Climate and Glacier Mapping, Risk Identification and Services
- (ii) **Watershed Management Division:** Analysis of Climate Impact on Water Scarcity
- (iii) **Flood Engineering Management Division:** Assessment of Flooding Hazards & Development of Climate- Resilient Flood Mitigation Measures in Southern Bhutan
- (iv) **Department of Human Settlement:** Climate- SMART Human Settlement Planning and Development in Samdrup Jongkhar Thromde
- (v) **National Environment Commission:** Human Resource Capacity Analysis and Curricula Development for Climate Change, Meteorology, Hydrology, and Hydro- Geology

Project Components**Component A: Development of SPCR (US\$1.15M)**

The main objective of this component was to develop the Strategic Program for Climate Resilience (SPCR), where it was funded for the preparation of the Strategic Program for Climate Resilience (SPCR) document and priority technical studies relating to climate resilience.

Component B: Capacity Building, Consultations, Institutional Coordination and Project Management (US\$ 0.35M)

The main objective of this component was to strengthen capacity of RGoB on climate resilience as part of preparation of the SPCR. It was implemented by GNHC and supported in the areas of training and capacity strengthening of the relevant agencies in the process of preparing the SPCR, workshops, consultancies, project management, Monitoring and Evaluation, travel cost, and incremental operating cost. Local consultant funded through this component were facilitated for the consultations and institutional coordination.

Project Implementation Plan**1. Preparation of SPCR and Project Management – implemented by GNHC**

- (i) Strategic Program for Climate Resilience document was endorsed by the CIF committee in November 2017.
- (ii) Project management - GNHC has organized three Project Steering Committee meetings and six Project Management meetings till date as a part of monitoring and implementation of the project. The last Project Steering Committee was held on June 19, 2019 and the last Project Management Meeting was held on November 25, 2019. In addition, a pre-closing meeting for the project was held on December 16, 2019 after completion of four out of five technical studies conducted as a part of the SPCR.
- (iii) Four government officials are supported through the SPCR project to pursue Masters course in environmental studies.

(iv) BSR's involvement in private sector development and climate change under SPCR

2. Hydro-Meteorological Extreme Analysis, Climate and Glacier Mapping, Risk Identification and Services – implemented by National Center for Hydrology and Meteorology

- (i) Analysis of Historical Climate and Climate Change Projection;
- (ii) Bhutan Glacier Inventory 2018;
- (iii) Reassessment of Potentially Dangerous Glacial Lakes in Bhutan

3. Climate-SMART Human Settlement Planning and Development in Samdrup Jongkhar Thromde – implemented by Department of Human Settlement (DHS)

- (i) Report on Climate Smart Human Settlement Planning and Development in Samdrup Jongkhar Thromde

4. Human Resource Capacity Analysis and Curricula Development for Climate Change, Meteorology, Hydrology, and Hydro- Geology – implemented by National Environment Commission (NEC)

- (i) Preliminary needs assessment report on enhancing climate change research in Sherubtse College, Report on Human Resource Capacity Analysis and Curricula Development for Climate Change, Meteorology, Hydrology, and Hydro- Geology.

5. Assessment of Flooding Hazards & Development of Climate-Resilient Flood Mitigation Measures in Southern Bhutan – implemented by Flood Engineering Management Division (FEMD)

- (i) Report on Assessment of Flooding Hazards and Development of Climate-Resilient Flood Mitigation Measures in Shetekheri and Aiepoly (Big and Small) Streams
- (ii) Workshop on the preparation of Flood Management Plan for Kerongchu, in Nganglam.

6. Analysis of Climate Impact on Water Scarcity – implemented by Watershed Management Division

- (i) Report on mapping of water sources
- (ii) Assessment report for the five pilot sites selected based on mapping exercise and using climate projection from NCHM - hydrogeological mapping
- (iii) Ex-country training on Sustainable Natural Resources and Climate Resilient Practices

The implementation of planned project activities ended by 31 March 2021 from initial completion deadline of 31 March 2019 and the duration for settlement of disbursement was extended till 31 July 2021

ANNEXURE – B: ACHIEVEMENTS

The Royal Audit Authority while reviewing the accounting records and operations of the Project had also reviewed the plans and programs implemented during the period under audit and noted the following accomplishments:

1. Program Management Unit (PMU)- GNHC

- a. Two government officials supported through the Strategic Program for Climate Resilience (SPCR) project completed their Master's course in environmental studies.

2. Department of Engineering Service (DES), MoWHS

- a. Awareness program on Green Materials to identify viable energy efficient/environmental friendly construction materials—by Engineering Adaptation & Risk Reduction (EARRD), Department of Engineering Services, MoWHS had been completed.
- b. Conducted workshop on the preparation of Flood Management Plan for Kerongchu, in Nganglam – by Flood Engineering and Management Division.

