

AIN: 16887



AUDIT REPORT ON THE ACCOUNTS AND
OPERATIONS OF INTEGRATED COMMUNITY
DEVELOPMENT FOR POVERTY REDUCTION
PROJECT, TARAYANA FOUNDATION, THIMPHU.

Period 1st November 2018 to 30 June 2020



རྒྱལ་ཁུངས་ཚུལ་ཞིབ་དབང་འཛིན།

ROYAL AUDIT AUTHORITY
Bhutan Integrity House

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



RAA/(OSA-04)AR-ICDPR/2020/ 1656

Dated: 9 September 2020

✓ The Secretary General
Tarayana Foundation
Thimphu

Subject: *Financial Audit Report of Integrated Community Development for Poverty Reduction for the period 1st November 2018 to 30th June 2020.*

Madam,

Enclosed herewith, please find the audited **financial statements and auditors' report thereon** in respect of the Integrated Community development for Poverty Reduction Project, implemented by Tarayana Foundation *for the project period ended 30 June 2020* 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). The report has been issued vide AIN: 16687.

Auditor's Report on the Financial Statement

As may be noted from the auditors' report, the financial statements are prepared by the project management, in all material respects, in accordance with Financial Rules and Regulations 2016. Accordingly, the auditor's have expressed unmodified opinion on the financial statements.

Audit Findings and Recommendations

The deficiencies and lapses observed in the accounting records, internal controls and operations of the project are reported herewith as audit findings along with recommendations, which also form part of the audited financial statement for the project period ended 30 June 2020.

The auditor's had reviewed the replies furnished by the project management and incorporated in the report. Most of the audit findings were settled in view of replies and related supporting documents and evidences furnished subsequently, which are however incorporated in the report with recommendations for future reference and compliance.

"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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The project management is requested to review the audit findings and recommendations and institute appropriate check and balance systems to improve and curb 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

Achievements

Notwithstanding the deficiencies and lapses, the RAA has also noted achievements made by the Project 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 project management, which facilitated the completion of the audit.

Yours sincerely,



Karma Jambayyang
Assistant Auditor General

Copy to:

1. The AAG, PPAARD, Royal Audit Authority, Thimphu
2. The AAG, Follow-Up & Clearance Division, Royal Audit Authority, Thimphu
3. Office copy

TITLE SHEET

Title : Audit Report on the accounts and operations of Integrated Community Development for Poverty Reduction, Tarayana

AIN : 16887

Head of the Agency : Chime Paden Wangdi, Secretary General
CID No. 11410003243

Drawing and Disbursing Officer : Sonam Pem, Programme Director
CID No. 10805002003

Finance Personnel : Thukten Tshering, Finance Officer
CID No. 10709003203

Period Audited : 1 November 2018 to 30 June 2020

Schedule of Audit : Planned: 27 July 2020 to 3 August 2020
Actual : 27 July 2020 to 3 August 2020

Composition of Audit Team : 1. Yeshe Jamtsho, Team Leader
CID No. 10711001985
2. Palden Thinley, Team Member
CID No. 11312003194
3. Jamyang Tshering, Team Member
CID No. 11312003189

Audit Engagement Letter Number : RAA(OSA-04)/AC/2020/14 dated 22 July 2020

Supervising Officer : Yeshe Jamtsho

Date of Audit Exit Conference : 7/8/2020

Focal Person : Yeshe Jamtsho

ACRONYMS

AHF	:	The American Himalayan Foundation
ARDC	:	Agriculture Research and Development Centre
BHU	:	Basic Health Unit
BPC	:	Bhutan Power Corporation
DRR	:	Disaster Risk Reduction
FUCD	:	Follow-Up and Clearance Division
ICDPR	:	Integrated Community Development for Poverty Reduction
MAR	:	Management Appraisal Report
MoWHS	:	Ministry of Work and Human Settlements
NKRA	:	National Key Result Areas
PP & AARD	:	Policy, Planning and Annual Audit Report Division

TABLE OF CONTENTS

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF INTEGRATED COMMUNITY DEVELOPMENT AND POVERTY REDUCTION PROJECT, TARAYANA FOUNDATION FOR THE PROJECT PERIOD 1st NOVEMBER 2018 to 30 JUNE 2020.4

ENCLOSURES:

Receipt and Payment Statement

AUDIT FINDINGS6

RECOMMENDATORY OBSERVATIONS9

ANNEXURES15

A: PROFILE.....15

B: ACHIEVEMENTS16



Dechok & Associates Private Limited Thimphu : Bhutan

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF INTEGRATED COMMUNITY DEVELOPMENT FOR POVERTY REDUCTION PROJECT, TARAYANA FOUNDATION FOR THE PROJECT PERIOD 1st NOVEMBER 2018 to 30 JUNE 2020.

Opinion

We have audited the accompanying financial statements of Integrated Community Development for Poverty Reduction Project, financed by the American Himalayan Foundation and implemented by Tarayana Foundation for the period 1st November 2018 to 30th June 2020 which comprise the Receipts and Payments Statement and schedules forming part of financial statements.

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

Basis for Opinion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions. 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 the project management, 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 the project 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 Entity's 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 judgement and maintain professional scepticism 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.



(Yesni Jamtsho)

Auditor

For Dechok and Associates Pvt. Ltd

Dated : 9/9/2020

Place : Thimphu



3. AGRICULTURE PRODUCTIVITY

Name of the Dzongkhag			Amount in BTN
Chukha			446,720.00
Dagana			188,247.00
Haa			234,480.00
Lhuntse			859,852.00
Mongar			109,525.00
Pemagatshel			576,626.00
Punakha			165,000.00
Samtse			453,640.00
Sarpang			244,675.00
Trongsa			318,300.00
Tsirang			482,875.00
Wangdue			69,250.00
Zhemgang			269,530.00
Others			381,593.00
Total			4,800,313.00

4. ARTS AND SKILLS

3,532,042.65 -

5. MONITORING MECHANISM

Name of the Dzongkhag			Amount in BTN
Chukha			118,824.00
Dagana			63,074.00
Haa			143,146.00
Lhuntse			99,052.00
Mongar			161,872.00
Pemagatshel			145,572.00
Punakha			127,000.00
Samtse			165,512.00
Sarpang			68,164.00
Trongsa			57,244.00
Tsirang			83,676.00
Wangdue			43,396.00
Zhemgang			215,942.00
Others			107,939.00
Total			1,600,413.00

6. ADMINISTRATION COST

6,500,000.00



AUDIT FINDINGS

On reviewing the accounting records, internal controls and operations of Tarayana Foundation in respect of the Integrated Community Development for Poverty Reduction Project funded by the American Himalayan Foundation revealed that internal controls including the supervisory controls and monitoring function were generally adequate, however certain deficiencies and lapses were noted as discussed below:

DEFICIENCIES AND LAPSES:

1. Admission of higher rates and resultant excess payment of Nu. 314, 220.00 (4.4.20)

The project management had admitted different rates for purchase of materials for the project during the project period. The supplier had applied lower rates preceding and succeeding the claims made at higher rates which resulted into excess payment of Nu. 314,220.00 as under:

Supplier: Woezer Enterprise

Material: CGI Sheets 50 mm 8 Feet Jindal brand

Rate Admitted: Nu. 650 per piece

Lowest rate paid during the same period: Nu. 607 per piece

Extra rate admitted = Nu. 43 per piece

Vr # and Date	Quantity	Excess Amount	Remarks
Nil of 3/7/2019	1560 pcs	67,080	Issued to Mongar
Nil of 3/7/2019	600 pcs	25,800	Issued to P/Gatshel
Nil of 15/4/2019	1020 pcs	43,860	Issued to Chhukha
Nil of 11/7/2019	960 pcs	41,280	Issued to Chhukha
Nil of 15/06/2019	1680 pcs	72,240	Issued to Tsirang
Nil of 18/06/2019	900 pcs	38,700	Issued to Wangdue
Total		288,960	

Comparative statement:

Sl.#	Particulars	2018 quoted rate(Nu)	2019 quoted rate(Nu)
1	CGI Sheets	607	650

Auditee's Response:

Foundation will try to get reimbursement based on the first bill of the 2019 which was charged 607 and not 650.

The material supplied from Woezer Enterprise instead from New Life Enterprise was the housing material that was not readily available. The housing material were supplied to Yangbri, Monggar and Pemagatshel. In order to have a smooth workflow and timely delivery of the materials, it was supplied from Woezer Enterprise.

Supplier: Woezer Enterprise

Material: Ridging 6' * 18"

Rate Admitted: Nu. 320 per piece

Lowest rate paid during the same period: Nu. 295 per piece

Extra rate admitted = Nu. 25 per piece

Vr# and Date	Quantity	Excess Amount	Remark
Nil of 3/7/2019	156 pcs	3,900.00	Issued to Mongar
Nil of 3/7/2019	60 pcs	1,500.00	Issued to P/Gatshel
Nil of 15/04/2019	102 pcs	2,550.00	Issued to Chhukha
Nil of 11/7/2019	96 pcs	2,400.00	Issued to Chhukha
Nil of 30/12/2019	12 pcs	300	Issued to Dagana
Nil of 16/05/2019	42 pcs	1,050.00	Issued to Haa
Nil of 15/06/2019	168 pcs	4,200.00	Issued to Tsirang
Nil of 18/06/2019	90 pcs	2,250.00	Issued to Wangdue
Nil of 22/12/2019	42 pcs	1,050.00	Issued to Wangdue
TOTAL		19,200.00	

Comparative Statement:

Sl.#	Particulars	2018 quoted rate(Nu)	2019 quoted rate(Nu)
1	Ridging	305	320

Response: The rate quoted for 2019 is Nu.320 which is applicable as per the statement. However, the supplier has charged less than what they have quoted.

Supplier: Woezer Enterprise

Material: Roofing screw 3'

Rate Admitted: Nu. 125 per piece

Lowest rate paid during the same period: Nu. 120 per piece

Extra rate admitted = Nu. 5 per piece

Vr# and Date	Quantity	Excess Amount	Remark
Nil of 3/7/2019	130 kg	650	Issued to Mongar
Nil of 3/7/2019	50 kg	250	Issued to P/Gatshel
Nil of 15/04/2019	85 kg	425	Issued to Chhukha
Nil of 11/7/2019	80 kg	400	Issued to Chhukha
Nil of 30/12/2019	10 kg	50	Issued to Dagana
Nil of 16/05/2019	35 kg	175	Issued to Haa
Nil of 15/06/2019	140 kg	700	Issued to Tsirang
Nil of 18/06/2019	75 kg	375	Issued to Wangdue
Nil of 22/12/2019	35 kg	175	Issued to Wangdue
TOTAL		3,200.00	

Comparative Statement:

Sl.#	Particulars	2018 quoted rate(Nu)	2019 quoted rate(Nu)
1	Screw	120	125

Response: The rate quoted for 2019 is Nu.125 which is applicable as per the statement. However, the supplier has charged less than what they have quoted in 2019.

Supplier: Woezer Enterprise

Material: Limpet Washer

Rate Admitted: Nu. 130 per piece

Lowest rate paid during the same period: Nu. 120 per piece

Extra rate admitted = Nu. 10 per piece

Vr # and Date	Quantity	Excess Amount	Remark
Nil of 3/7/2019	52 kg	520	Issued to Mongar
Nil of 3/7/2019	20 kg	200	Issued to P/Gatshel
Nil of 15/04/2019	34 kg	340	Issued to Chhukha
Nil of 11/7/2019	32 kg	320	Issued to Chhukha
Nil of 30/12/2019	6 kg	60	Issued to Dagana
Nil of 16/05/2019	14 kg	140	Issued to Haa
Nil of 15/06/2019	84 kg	840	Issued to Tsirang
Nil of 18/06/2019	30 kg	300	Issued to Wangdue
Nil of 22/12/2019	14	140	Issued to Wangdue
TOTAL		2,860	

Comparative Statement:

Sl.#	Particulars	2018 quoted rate(Nu)	2019 quoted rate(Nu)
1	Limpet washer	125	130

Response: For the excess payment the concern focal person will try to get the reimbursement

Auditor's Further Comments:

As agreed during the exit meeting, excess payment made on account of payments made at two different rates on purchase of materials listed above should be recovered and accounted appropriately.

Who is Accountable?

Direct Accountability: *Pema Lhendrup, Administrative & Procurement Officer
CID-11602001396*

Supervisory Accountability: *Pema Lhendrup, Administrative & Procurement Officer
CID-11602001396*

RECOMMENDATORY OBSERVATIONS

1. Deficiencies in Procurement of Materials

a. Non invitation of open Tenders for procurement of materials

We observed that Tarayana Foundation had procured materials worth over Nu. 34 million for the Integrated Community Development for Poverty Reduction Project. Open tenders for supply of materials were not invited and purchases were made on the basis of spot quotations.

The management may comment on how procurements were decided on the basis of spot quotations rather than through invitation of rates via the open tender.

Auditee's Response:

The Foundation has been carrying out spot quotation for all it's projects due to time and resource constraints in floating tender via media outlets. After getting the spot quotations, a comparative statement is prepared by the Administrative Officer and Finance Officer and signed by relevant officials. However, as advised by the auditors, henceforth the tender committee will evaluate the bids jointly and assign the suppliers.

Auditor's Further Comments:

Inviting spot quotations and not resorting to open tender deprives the organization of the possibility of getting the most competitive bids to maximise the use of project funds. There are no evidences that following the open tender procedures would be more costlier than obtaining rates of materials through spot quotations. The management also did not document in writing for not resorting to open tenders.

Considering the huge amount of project funds being spent in the purchase of construction materials, we are of the opinion that the project implementing agency should have invited open tenders to obtain the best prices. We recommend that that open tenders are invited in the future.

b. Non-evaluation of tenders received via spot quotations and other irregularities

We observed that quotations submitted by the potential suppliers via the spot quotations were not evaluated by a Tender Committee or a Purchasing Committee. We also noticed that quotations submitted by the suppliers were not opened in the presence of the tender committee as neither the envelopes containing the quotes were found initialled by the committee nor the quotation list itself.

Auditee's Response:

Same as above. The tender committee carries out the due diligence and assigns the suppliers.

Auditor's Further Comments:

We would like to bring to the attention of the management that spot quotations not opened in the presence of a committee and then not even carrying out the evaluation itself is highly improper. We recommend that tender committee ensure that bids are proper in all respects, and

should be opened in the presence of the committee members, evaluated and evaluation sheet or the comparative statements signed by the members.

c. Improper supply orders issued by the project administration

We observed that the project management responsible for procurement of materials for the project had issued supply orders without any terms and conditions except the list of items with quantities. Important terms and conditions such as the delivery dates, payment terms, and penalty clauses in case of delays in delivery among others were not mentioned in the supply orders.

Auditee's Response:

In the past, the Foundation had not come across any issues related to the delivery time and payments, therefore, none of the audits had such findings. However, henceforth the management will lay down the clauses and other relevant terms and conditions as recommended.

Auditor's Further Comments:

It is always in the interest of the project to agree to the terms and conditions of the purchase with the suppliers prior to entering into an arrangement to procure materials from the suppliers. Important terms and conditions should be listed in the supplier order so that there are no disagreements between the supplier and the buyer with regard to quality, price, date of delivery, payment and penalty's on defaulting party etc.

In view of the management's assurance to henceforth adhere to the recommendations, the observation shall not be pursued further.

d. No Verification of materials received at site by the field officers

Procurement of materials are centralized i.e. supply orders are issued based on the requisitions by the field officers from the Head office. We were informed that challans are being sent with the transporters while transporting materials to the sites. We noticed that most of these challans were not signed by the field officers as an evidence to support receipt of materials at site. Further distribution to beneficiaries were not on record with the head office.

The management may please look into such issues and devise a system to be always followed when implementing such programmes.

Auditee's Response:

It is necessary for all the Field Officers to sign on challan when they receive the materials however, in some cases our Field Officers are not present during the arrival of materials as they have to cover so many villages. In such cases, group representatives receive the materials on behalf of the Field Officer where signing the challan has been overlooked. Distribution of materials are informed via official group chat. Henceforth, the management will ensure that all the signing process will be duly completed. The management can vouch on the proper distribution of materials to the beneficiaries as several monitoring visits take place during the project period, and it is evident from the number of houses constructed and activities carried out. The beneficiaries will report to the monitoring team or the head office should they be left out on receiving any of the materials.

Auditor's Further Comments:

All field officers should acknowledge the receipt of materials despatched by the supplier on the challans either sent through the transporter or with the field officers themselves. Ideally, supplier's bills may also be verified by the field officers taking the delivery of materials from the suppliers.

2. Payment of Transportation Charges based on Hand Receipts

We observed that more than Nu. 1.6 million were paid towards transportation charges of materials for the project. Verification of the transportation payments made by the field officers revealed that claims were entertained based on the hand receipts issued by the field officer's. No quotations were invited from the local transporters to use as the basis of payments, we also observed that these bills were not verified by the local village officials such as the chiwog tshogpa. In the absence of formal quotation or the hand receipts being verified by an independent third party, the accuracy and correctness of this expenditure was not determinable. The project management must institute appropriate control measures to ensure correct and appropriate transportation charges.

The comment of the management is invited on the above issue.

Auditee's Response:

Transportation cost for any project is one of the issues that the Foundation is grappling with. The ground reality is that all the project sites are scattered and very far from the gewog centres. All the Dzongkhags have quoted rates till the gewog centres whereas Tarayana project sites are further away from the centres. Most of the vehicles are not willing to go to the project sites as the condition of the road is very bad and not reliable in the summer seasons. The Foundation has committed in the previous audit to have the local leaders sign as witness for the payment however, getting the local leaders including Tshokpa to sign during the delivery of the materials is difficult in most cases, as the timing of the delivery of the materials at the sites varies. Sometimes the materials reach the sites late at nights, and some during the weekends. Nevertheless, in the sites where local leaders are easily accessible the Field Officers have managed to get them to verify the payment. In Monggar, Pemagatshel, Zhemgang, Samtse and Haa, the payments were signed in the presence of local leaders, chairperson, and driver.

The management will strengthen this system by allowing any community members present on site to sign as a witness instead of requiring the local leaders to sign in places they are not accessible.

Auditor's Further Comments:

As far as possible, we suggest that payment of transportation charges are verified by a local gewog/chiwog officials. The current system of having the vehicle documents and the driver details are good as long as payments are verified by a local gewog/chiwog official to further ensure transparency and authenticity of the transportation claims.

3. Irregularities in adjustment of Carpenter wages

In the course of our verification of adjustment vouchers with regard to payment of carpenter wages, we observed the following:

i. In the payment statement, the amount in words and figure did not match. The statement contained additions on the figure amount while the amount in word remained the same. (Refer Vr dated 10/9/19 of Chukha Metakha).

ii. Some Carpenter attendance sheets were not verified by the gewog/chiwog officials which was a practice followed by the project management in most cases. (Refer JV 50 of 28/2/2020 in which one sheet was not verified, JV53 of 28/2/2020 where one attendance sheet was not verified, JV 64 of 8/5/2020 for Nu. 288,000 in which all attendance sheets were not verified, JV 65 of 8/5/2020 for Nu. 384,000.00 in which all attendance sheets were not verified, JV 84 of 29/5/2020 for Nu. 336,000 in which all attendance sheets were not verified)

The management may revisit the above mentioned vouchers to authenticate the adjustments made.

Auditee's Response (i):

Chhukha Dzongkha did not have a Field Officer therefore, the Field Officer from Tsirang travelled there to make the payment. He had paid the fuel cost first and then the carpenter wage.

Instead of making a separate hand receipt for carpentry wage, the field officer has reflected the payment in the same receipt as he did not have enough hand receipts during the payment. In this way, the amount in words and figure did not match. Since the payment has been made in the presence of local leaders, the findings can be verified by calling Tshokpa.

- Concern Person (Namgay Sr. Field Officer, CID- 11410001405)

Auditee's Response (ii):

*Carpenter attendance sheets were not verified by the local leader. During the payment, Yangbari Tshokpa was out of station attending his sick mother who was admitted in a hospital for a month. Despite trying hard, the Field Officer was not able to get the sign. Since the project is coming to an end and all the bills needed to be adjusted, we had no option, but to accept the bills. However, the findings can be verified by calling Tsokpa and if the finding needs further documentation, the management is ready to provide the documents- **Concern Person (Ugyen Tshomo, CID- 11604001508 and Karma Uden, Programme, CID-10904000022)***

Auditor's Further Comments:

Almost all wages paid to the carpenters were found verified by the local gewog officials except the one's mentioned above. The management should always ensure that field officers make payments on the basis of verification and in presence of the local leaders. As the above exceptions are acceptable to the management, the observation shall not be pursued further. However, we recommend that all payments of wages be verified by local leaders in the future.

4. Non maintenance of separate bank ledger accounts

We observed that funds received for the Integrated Community Development and Poverty Reduction Project are maintained in Tarayana's main bank account with the Bhutan National Bank Limited. This account maintains funds of various different projects. We also observed that payment for different projects with the same supplier are clubbed together in a single cheque while making payments. While it is absolutely fine to maintain one bank account for different

projects, we may suggest that payments may be segregated through issuance of a separate cheque for payment made to a same supplier but for different projects and activities with separate source of funding. This will entail maintaining a separate bank ledger accounts for different projects in the accounting system. Review and monitoring of fund position for each project would be easier in this manner.

We also noticed that chart of accounts for the project expenditure are largely categorized into broad categories such as Access to liveable Homes, Monitoring mechanism, Agriculture Productivity, Administration Cost and Arts and Skills. Refinement of the chart of accounts for the future projects to understand what proportion of the fund were spent on materials, carpenter wages, transportation etc would aid in monitoring of expenditure and decision making.

The management may look into the above possibilities.

Auditee's Response:

Agreed. The payment made to the same supplier for different projects are club together in a single cheque while making payments. However, while punching in the accounting system, it is segregated into different ledger heads for different activities. For ease of audit purpose the management will henceforth maintain as recommended so as to know the fund position for each project.

Since the chart of accounts for the project expenditure are largely categorized into broad categories, maintaining a sub- ledger was not felt necessary. However, as recommended the management will maintain refinement of the chart of accounts for the future projects to know the exact expenditure. (Concern Person-Thukten Tshering, Finance, CID-10709003203)

Auditor's Further Comments:

We recommend that payment for different projects are not made through a single cheque. This will create confusions for the reviewers and also to the finance personnel themselves while reconciling individual project funds. It would also make sense to maintain different ledger accounts to monitor expenditure on relevant budget heads.

As the management ensures to comply with the recommendations if found useful, the observation shall not be pursued further.

5. Purchase of cement worth Nu. 200,250.00 on hand receipt basis from a Cement Agent

An amount of Nu. 200,250.00 was adjusted vide Vr. JV 21 of 10/6/2019 being the purchase of cement from Pema Jamtsho Cement Agent in Lhuntse. Except for a hand receipt with a seal of the cement agent, there were no bills or proper money receipts of the cement agent. This may be looked into by the management.

Auditee's Response:

When the procurement was made the manager was not present and the helpers did not have access to the bill, due to time constraints the Field Officer used the hand receipt for payment. The original bill will be furnished for auditor's perusal. We can also have our field officer provide justification on this matter (Concern Person-Sonam Jamtsho, Field Officer, CID-10704000578)

Auditor's Further Comments:

A copy of the original bill was submitted via email for verification. We recommend that payments should be supported by original bills as far as possible in future. In view of of the bills being submitted, the observation shall not be pursued further.

A: PROFILE

Project Name: "Integrated Community Development for Poverty Reduction"

Supported by American Himalayan Foundation

Implementing Agency: Tarayana Foundation

Budget

Total- USD 1000,000

Phase I-November 1, 2018 to April 30, 2019: USD 500,000

Phase II- April 30, 2019 to June 30, 2020: USD 500,000

Fund Disbursement

1st March 2019- USD 400,000

17th April 2019-USD 100,000

11th June 2019- USD 400,000

7th April 2020-USD 100,000

The key project strategy is to effectively address the issues and causes of poverty of remote rural communities by engaging government stakeholders. It will adopt an integrated multi-sectoral approach targeting remote disadvantaged communities to facilitate sustainable human and community development.

Overall objective of the project- is to reduce poverty in a remote minority community of Bhutan through providing access to modest home/ shelter, better nutrition, skill development training for income generation to improve their living standards.

Outputs

Output 1: Access to liveable homes

Output 2: Enhanced vocational, arts and crafts skills of village producers with improved quality, creativity, productivity and marketability.

Output 3: Increased agricultural productivity and supplemental nutrition through diversification of agricultural products.

B: ACHIEVEMENTS

Output 1: Access to liveable homes

Output one under access to liveable homes has been verified as overwhelmingly positive by the Project team, as well as by beneficiaries. The selection of beneficiaries, with Programme Officers and Field Officers, taking a leading role in the process of Baseline Survey, Community Mobilization, formation of Self Help Groups, supported by the Local Government Leaders have proved successful, with the majority of beneficiaries selected returning to take possession of their new houses.

The community mobilization conducted aimed at explaining the objectives of the project. During this meet, the community members are also asked of what they would like to learn, how they would like to proceed with the activities and if they can incorporate traditional methods along with new adaptations to make the best out of the project. This is also the time they form groups and do labor work in turn for the housing constructions and discuss possibilities of various income generating activities such as art and craft skills, agricultural production, etc.

The constant quarterly monitoring by Programme Officers, Documentation Officer, M&E Officer and the physical verification conducted by ADM Officers and Finance Officers has also made this project a successful one. Data compiled by the project team, and verified by the Local Leaders, indicated that the targets established in the Project Document have been met. The project aimed to achieve a minimum target of 500 houses being inhabited by families. Since 500 houses of approved beneficiaries have been drawn from these communities, this target has been successfully achieved. Despite the target achieved, the housing demand in the rural areas still continues to exceed supply and with the recurring demand seen from our community, the Foundation prioritize on need-based support for homeless people. After prioritizing, it was seen that a total of 42 households fall under vulnerable group at Bjoka gewog under Zhemgang District. The Senior Management at the Foundation deliberated on this issue and advised the remaining fund left from output 2: Enhanced vocational, arts and crafts skills of village producers with improved quality, creativity, productivity and marketability to be allocated to these communities and the reserve amount from the dollar exchange rate was allocated to output one since there was more requirement for the housing in the rural communities.

Gender issues, and their mainstreaming into all projects and activities, are extremely important. The project set specific targets for providing housing facilitation to female headed households, and conducted training activities specifically focused on female. The final evaluation also indicates that the ratio of female and male headed family is almost equal.

Besides, the project has also rendered support to women's group in Rangtse village, Gakiling gewog under Haa districts in constructing the canteen. The income they earn from the canteen will be used for group saving. Striving to constantly improve the education of female beneficiaries is crucial to affording further attention to gender issues. The report recommended that literacy programmes and further special targeted self-income generation schemes need to be considered for further return projects to increase the social inclusion of female beneficiaries

and their households. However, it is also recognised that a significant amount of further support will be necessary to ensure that the return of these beneficiary families is sustainable.

The output one can be evaluated as relevant as it has made a significant contribution in NKRA_2-Poverty and inequality reduced and NKRA_9 - Women and Girls Empowered.

One measure taken for the sustainability of the project initiatives is Training our Field Officers and Community members on Earthquake Resilient Concrete and Stone Masonry Construction (Annex G). The Foundation facilitates the improvement of these housing through skills development in masonry and carpentry for community members, with a focus on gender balance.

The training fund was supported by UNDP and resource person from Department of Engineering Services, Engineering Adaptation and Risk Reduction Division under Ministry of Work and Human Settlement. It has contributed to NKRA_7 - Disaster Resilience Strengthened.

Output 2: Enhanced vocational, arts and crafts skills of village producers with improved quality, creativity, productivity and marketability

The implementation of the output two was carried out during Tarayana Annual fair which was held from 3rd to 5th May 2019. The communities from our project sites displayed their products for selling and marketing. From this fair the communities earned Nu. 640,000 income. This is the only activity held under output two because the output two was intended to understand the nature of the skills within the communities and to enhance and develop those skills in a way that can support and empower people needing care and support to live independently. During the implementation it was found that some of the project sites have all the required skills provided through previous projects implemented by the Foundation. The management felt that it would be a replication of the activities in some project sites, therefore the focus was increased on output one and three to widen scope of intervention to focus more on housing improvement program and agriculture diversification.

Output 3: Increased agricultural productivity and supplemental nutrition through diversification of agricultural products

The overall goal of the output was increased incomes and food security among poor rural households in the project area. The Foundation has been working towards providing agricultural productivity to the project sites before the prevalence of the coronavirus. Before the prevalence of the coronavirus, agriculture activities such as supply of saplings and machineries to various project sites and trainings in home kitchen gardening, mushroom cultivation have taken place at various project sites.

The coronavirus pandemic in one way was window of opportunity, the fact that Foundation has been working with the vulnerable groups and the main challenge of food security which will hit the vulnerable groups the hardest. It was an opportunity to implement the actions necessary to

achieve the food and nutrition security for the vulnerable groups, since at national level it is difficult to deal directly with those issues of food availability that fall within the exclusive.

The Foundation plan and actions was to address various issues of food security to ensure that local actions are linked to regional actions are in all cases linked to national level follow-up within countries where the intervention is relevant and assigned a high priority.

In the short term responses to crises, it is really important to have a close linkage between humanitarian and development actors. The close linkage often require mobilisation of ad hoc humanitarian instruments, other mechanisms and capacities need to be built and maintained to reduce the risks of crises occurring and to manage their effects. For this, the Foundation has our experience Field Officers who are working and dealing with the communities in the daily basis understanding their need and requirements.

The consultative process done by our Field Officers aimed at creating a strong sense of ownership which is essential for the implementation of plan and actions developed by the Foundation. The process is in line with the aim to promote widespread participation and inclusiveness. The activities focus on actions that will benefit all households (with special emphasis on small, poor producers, indigenous peoples, youth, women and consumers). In response, the Foundation have new approaches to agricultural and rural developments which are needed to achieve a revival to adjust to change in economy. The intervention focused more on providing inputs such as sourced and distributed vegetables, oilseed and grain seeds and extension to increase production on income generation to increase/improve purchasing power. Moreover, the Foundation has also supplied green net, pipes, mulching plastics, syntax, etc to the project sites. For some of the households, seeds were supplied mainly for home consumption and self-sustaining because of their lack of purchasing power. More investments are required to transform a proportion of smallholders from direct producers and to entrepreneurs especially in the value-addition processing industries.