

AIN: 15226

**Audit Report on the Accounts
and Operations of NORAD Project,
Disabled Persons' Association of Bhutan
(DPAB), Thimphu**

(Period: 01.01.2017 to 31.12.2017)

May 2018



རྒྱལ་གཞུང་ཚེས་ཞིབ་དབང་འཛིན།

ROYAL AUDIT AUTHORITY

Bhutan Integrity House

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



RAA/GGD(B2)CSO-01/AR/DPAB/2018/1391

Date: May 17, 2018

The Executive Director
Disabled Person's Association of Bhutan
Thimphu

Subject: **Audit Report on the Accounts and Operations of the NORAD-funded Organization Development Project implemented by Disabled Persons' Association of Bhutan, Thimphu for the period 1st January 2017 to 31st December 2017**

Sir,

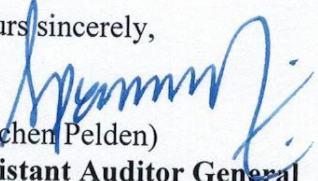
Enclosed herewith please find the audited financial statements and auditors' report thereon in respect of the **NORAD-funded -Organization Development Project implemented by Disabled Persons' Association of Bhutan, Thimphu** for the financial year ended 31st December 2017. The audit was conducted as required under the Audit Act of Bhutan 2006 and as per the RAA's Policy on Outsourcing Audits.

Auditor's Report on the Financial Statements

As may be noted from the Auditor's Report, the financial statements are prepared by Disabled Person's Association of Bhutan, Thimphu, in all material respects, in accordance with the financial Rules and Regulations 2001 & 2016. Accordingly, the RAA has expressed unmodified (Clean) opinion on the financial statements.

The RAA acknowledges the kind co-operation and assistance extended to the audit team by the officials of the Disabled Person's Association of Bhutan, Thimphu which facilitated timely completion of the audit.

Yours sincerely,


(Dechen Pelden)
Assistant Auditor General
General Governance Division

Copy to:

1. The Member Secretary, Civil Society Organizations Authority, Thimphu for kind information.
2. The Assistant Auditor General, PP&AARD, RAA, Thimphu.
3. The Assistant Auditor General, FUCD, RAA, Thimphu.
4. Office Copy.
5. Guard File.

'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, Kawajangsa, Thimphu: Bhutan. Tel: 322111 / 322833, Fax: 323491
Website: www.bhutanaudit.gov.bt, Email: info@bhutanaudit.gov.bt and tkezang@bhutanaudit.gov.bt

Title Sheet

Title	Audit Report on the Accounts and Operations of the NORAD-funded- Organization Development Project implemented by Disabled Persons' Association of Bhutan
Head of the Agency	1) SonamJamtsho, Executive Director CID No. 10711002077 01/01/2017 to 31/12/2017 2) SonamDeki, Administrative/Accounts Officer CID No. 11911001272 01/01/2017 to 31/12/2017)
Drawing & Disbursing Officer	SonamJamtsho, Executive Director CID No. 10711002077 01/01/2017 to 31/12/2017
Finance Personnel	SonamDeki, Administrative/Accounts Officer CID No. 11911001272 01/01/2017 to 31/12/2017
Period of Audit	01/01/2017 to 31/12/2017
Schedule of Audit	Planned : 23/03/2018 to 30/03/2018 Actual : 23/03/2018 to 30.03.2018
Engagement letter No.	RAA(OSA-02)/AC/2018/801, Dated:21 st March, 2018
Audit Team	1) Bishnupal Gurung, Team Leader CID No. 11216002731
	2) Karma Wangchuk, Member CID No. 10202001151
Supervising Officer	Bishnupal Gurung, Team Leader
Date of Audit Exit Conference	Conducted on 30.03.2018
Focal Person	Bishnupal Gurung Email: blgurung2010@gmail.com Mobile: +975-17600396



BUSINESS ACCOUNTING SERVICES ENTERPRISE

Post Box: 238, THIMPHU : BHUTAN

Telephone: 02 350219, Mobile #: 17600396

DISCLAIMER

The coverage of this report is based on the facts, figures and information made available and accessible to the team by the Project Management NORAD - Organization Development Project, **Disabled Persons' Association of Bhutan (DPAB)**, Thimphu, during audit. The opinion of the auditors shall confine to the period covered and the information made available till the date and time of issue of this report.

This is to certify that during the audit the auditors have neither yielded to pressure nor dispensed any favor or resorted to any unethical means that would be considered as violation of code of Good Conduct, Ethics and Secrecy of the Auditors.

ACRONYMS

DPAB	:	Disabled Persons' Association of Bhutan
CSO	:	Civil Society Organization
CSOA	:	Civil Society Organization Authority
MoF	:	Ministry of Finance
NORAD	:	Norwegian Agency for Development Cooperation
RAA	:	Royal Audit Authority
RGoB	:	Royal Government of Bhutan

TABLE OF CONTENTS

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THENORAD FUNDED - ORGANIZATION DEVELOPMENT PROJECT, IMPLEMENTED BY DISABLED PERSONS' ASSOCIATION OF BHUTAN, THIMPHU FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017	5
FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017	7
RECEIPT & PAYMENT STATEMENT	8
SCHEDULE TO RECEIPT & PAYMENT STATEMENT	9
List of Fixed Assets.....	11
NOTES ON ACCOUNTS:	14
AUDIT FINDINGS ON THE ACCOUNTS AND OPERATIONS OF THE NORAD FUNDED - ORGANIZATION DEVELOPMENT PROJECT UNDER DISABLED PERSONS' ASSOCIATION OF BHUTAN, THIMPHU	15
PART I: SIGNIFICANT ACHIEVEMENTS	15
ANNEXURES	16
A PROFILE.....	16
B OBJECTIVES OF AUDITING	18
C AUDITING METHODOLOGY	18
D Audit Instructions	19



BUSINESS ACCOUNTING SERVICES ENTERPRISE

Post Box: 238, THIMPHU: BHUTAN

Telephone: 02 350219, Mobile #: 17600396

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THENORAD FUNDED - ORGANIZATION DEVELOPMENT PROJECT, IMPLEMENTED BY DISABLED PERSONS' ASSOCIATION OF BHUTAN, THIMPHU FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

We have audited the accompanying financial statements of the NORAD funded - Organization Development Project, implemented by Disabled Persons' Association of Bhutan (DPAB), Thimphu, which comprise Receipts and Payments Statement and schedules forming part of the financial statements for the financial year ended 31 December 2017, as required under the Audit Act of Bhutan 2006 and as per Terms of Reference issued by the RAA vide letter Ref. No. RAA(OSA-02)/AC/2018/801, Dated:21st March, 2018.

Management's responsibility for the Financial Statements

The management is responsible for the preparation of the financial statements in accordance with Financial Rules & Regulations 2001& 2016 and NORAD Project document. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted the audit in accordance with RAA's Auditing Standards and Generally Accepted Auditing Standards. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

Scope of Audit

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on effectiveness of the entity's internal control system. An audit also includes evaluation of the appropriateness of the accounting policies used and the

reasonableness and accounting estimates made by the management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in all material respects, in accordance with Financial Rules & Regulations 2001& 2016 and NORAD Project Document.

For Business Accounting Services Enterprise

B. L. Gurung
(Team Leader)

Dated : May 17, 2018
Place : Thimphu



**FINANCIAL STATEMENTS FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2017**

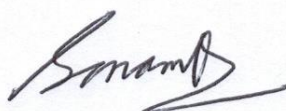
DISABLED PERSONS' ASSOCIATION OF BHUTAN

RECEIPT AND PAYMENT STATEMENT FOR THE YEAR ENDED 30.12.2017

Normisjion Project (Organization Development Project - DPAB)

		2017	2016
	Schedule	Amount in Ngultrums	
RECEIPT			
I. Opening Balance			
1. Cash		56,606.43	4,964.00
2. Bank (BoBL: New A/c no. 100926866)		-	-
II. Transfer of fund from Norway (Norad + Normisjion)	1	56,606.43	4,964.00
		3,633,581.16	3,698,847.64
A. Total Receipt (I + II)		3,690,187.59	3,703,811.64
PAYMENT			
III. Expenditure			
1. Capital Expenses	2	3,632,680.40	3,647,205.30
2. Operating Expenses	3	416,771.40	954,167.00
B.Total Payment (III)		3,215,909.00	2,693,038.30
		3,632,680.40	3,647,205.30
IV. Closing Balance (A - B)			
1. Cash		57,507.19	56,606.34
2. Bank (BoBL: New A/c no. 100926866)		-	-
		57,507.19	56,606.43

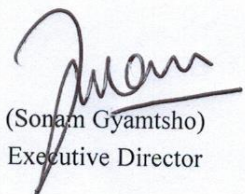
Prepared by:



(Sonam Deki)
Finance Officer



Approved by:



(Sonam Gyamtsho)
Executive Director



Schedules forming part of the Receipt & Payment Account

	<i>Amount in Ngultrum</i>	
	12/31/2017	12/31/2016
Schedule 1		
Transfer of fund from Norway (Norad + Normisjon)	3,633,581.16	3,698,847.64
1st Installment dated 08.02.2017 & 03.03.2016	1,037,273.16	915,024.24
2nd Installment dated 11.04.2017 & 27.5.2016	1,485,455.40	1,507,102.52
3rd Installment dated 12.10.2017 & 22.9.2016	1,082,352.60	627,414.24
4th Installment dated 18.11.2016	-	310,245.12
5th Installment dated 06.12.2016	-	339,061.52
Cash Deposit received from DPAB	28,500.00	
Schedule 2		
Capital Expenses	416,771.40	954,167.00
Equipment	-	90,850.00
Furniture & Fixture	-	107,990.00
Out Put 1-Strengthen and Capacity Building of DPAB	416,771.40	558,327.00
Consultant(Assessment/Within Bhutan)		197,000.00
Schedule 3		
Operating Expenses	3,215,909.00	2,693,038.30
Expenses for expatriates/Meetings	-	25,000.00
Payroll expenses local staff	1,268,000.00	819,000.00
Consultant(Assessment/Within Bhutan)	-	91,300.00
Administration(utilities), Office Rent, Electricity, Telephone & Internet etc.	385,420.00	396,945.00
Out Put 2-Registration of Disabilities	85,000.00	370,980.00
Out Put 3-Support/Rehabilitation Services	1,039,981.00	645,543.00
Out Put 4- Enhance Awareness and advocacy	209,056.00	244,585.00
Out Put 5-Strengthen Women's empowerment	98,766.00	99,635.30
Travelling within Bhutan	79,936.00	-
Meeting Expenses	49,750.00	-
Bank Charges	-	50.00

DISABLED PERSONS ASSOCIATION OF BHUTAN
BANK RECONCILIATION STATEMENT for the year end 31.12.2017

	Particulars	Amount(Nu)
	Closing Balance as per bank statement	57,507.19
1	Receipt(Bank) Add Deposit in transit	
2	Less Outstanding Cheque	
	Closing Balance as per DPAB records	57,507.19

DISABLED PERSONS ASSOCIATION OF BHUTAN
BANK RECONCILIATION STATEMENT for the year end 31.12.2016

	Particulars	Amount(Nu)
	Closing Balance as per bank statement	56,606.43
1	Receipt(Bank) Add Deposit in transit	
2	Less Outstanding Cheque	
	Closing Balance as per DPAB records	56,606.43

Sonam Deki

(Sonam Deki)
Adm & Accounts Officer



Sonam Gyamtsho

(Sonam Gyamtsho)
Executive Director

[Handwritten signature]

1. Inventory stock/list of fixed assets per 31.12.2017 (Normisjon Project)

Date of purchase	Particulars	Amount (in 2017)
Furniture		
31.8.15	Conference table set(6pcs) @ 9,075	54,450
	Conference table for Chair Person	12,095
6.6.16	File Rack	3,200
5.9.16	Steel Cupboard	13,190
15.9.16	Executive Chair (Black)	13,500
	Executive Table (Black)	25,990
19.9.16	Wooden Projector Stand	3,300
29.9.16	2 sets of deewan with cushion @ 5700	11,400
	2 Nos Chodrom @ 2700	5,400
3.10.16	Wooden Book Shelve	8,500
12.10.16	Steel Cupboard	15,010
26.10.16	Wooden Book Shelve	8,500
		174,535
Equipment		
15.4.14	Mini Display port to VGA	4,000
15.4.14	Project Infocus	40,600
15.4.14	TP-Link	4,480
15.4.14	Mac book Air with accessories	79,000
15.4.14	USB(3 nos)	1,990
15.4.14	PCI Express	3,480
15.4.14	Optical Wireless Mouse (2 nos)	3,470
13.4.14	Thumb Drive 16 GB	1,085
13.4.14	Printer 2515	9,500
13.4.14	Dell Laptop core-i5,Ram 4GB	40,800
13.4.14	Extension Cord	1,100
13.4.14	Digital Camera	30,000
14.4.14	Mac Book Air with accessories	79,000
15.5.14	Thumb Drive 160 GB	1,200
10.6.14	Socket 16 amp(4 nos)	580
10.6.14	switch board with wire	690
20.6.14	Heater Laminox	8,300
26.6.14	2 Nos Heater(Laminox)	8,300
29.8.15	Hitachi Vacum Cleaner	9,700
9.9.15	PABX(telephone)	44,000
22.6.16	2 Nos Media Converter @ Nu.4950	9,900
26.6.16	Wireless Access point	7,600
28.6.16	Cisco Router(Purchased from Bhutan Telecom)	43,800
12.10.16	Laser Jet Pro Printer	29,550
		462,125

2. Inventory stock/list of fixed assets per 31.12.2017 (CSOFF PROJECT)

Date of	Particulars	Amount
Furniture		
29.9.11	Computer Table(2 Nos)	
29.9.11	Steel Almirah	3,982
29.9.11	Deewan(2 nos)	9,500
29.9.11	Chodrom(2 Nos)	3,500
29.9.11	Revolving Chair	2,767
30.12.11	File Rack	6,697
30.12.11	Plastic Chair with cushion(5 Nos)	5,400
3.6.13	Sign Board	2,299
3.6.13	Sign Board -small with pole	7,500
3.6.13	Sign Board pole	2,500
24.12.13	Hard Drive(1000 GB)	3,500
29.9.14	Manager's Table	4,480
2.7.15	Sign Board with iron pole & roof	6,996
		<u>15,000</u>
	Equipment	74,121
30.10.11	Thumb Drive -8GB	1,000
	Thumb Drive -2 GB	500
23.7.11	Punching Machine	95
27.7.11	Extension Cord	675
29.9.11	APC Back Up(1 No)	5,476
29.9.11	Printer (Brother)	13,000
29.9.11	Computer(Dell)-1set	26,233
29.9.11	Stapler	117
29.9.11	Telephone set	500
25.11.11	Fax Machine(KX FA 701)	7,500
25.11.11	Panel Heater	3,350
30.11.11	Stapler	80
30.12.11	Computer(Dell)-1set	27,200
30.12.11	Heavy Duty Punching Machine	995
30.12.11	Heavy Duty Stapler	1,025
25.5.13	Heater 4 size	1,100
24.12.13	Lap Top	41,750
12.9.14	Brailier(Classic)	35,000
19.2.14	Hard Drive(1000 GB)	4,480
	1 pair Sound Box(Big)	55,000
	1 pair Sound Box(Small)	25,000
	2 pcs Amplifier	44,000
	1 pc Mixer	27,000
17.2.14	1 No Key Board	14,000
	1 No.Guiter	2,500
	7 pcs Micro phone	17,500
	Wires & Connectors	10,000
	Stablizer	5,500
	Mic Stand	3,800

	Dramngyen 3 Nos	9,000
23.2.13	Chiwang 2 nos	8,000
	2 Nos Flute	250
	2 Nos Yangchen	15,000
24.12.13	Punching Machine	1,050
15.5.14	5 nos Scissors	120
26.6.14	3 Nos Punching Machine	105
		<u>407,901</u>

3. Inventory stock/list of fixed assets per 31.12.2016 (DPAB)

Date of	Particulars	
Furniture		
26.6.14	Plastic Chair with Arm Rest & Cushion(15	49,020
1.1.15	Computer Table(2 Nos)	3,909
1.1.15	Manager's Table	8,509
1.1.15	Writing Table	5,009
15.5.15	Revolving Chair(2 Nos)- Low Back	550
		<u>66,997</u>

4. Inventory stock/list of fixed assets per 31.12.2016 (Received in Donation)

Date of	Particulars	Discarded Date
Furniture		
1.1.14	Steel Almira	11,500 Donated by save the children
16.12.16	Revolving Chair(2 Nos) @ Nu.7800/-	15,600 Donated by Mr. Ugyen Samdrup
		<u>27,100</u>
Equipment		
1.1.14	Computer(Dell)-1set	27,000 Donated by save the children
1.1.14	Panel Heater(1 No.)	3,350 Donated by save the children
1.1.14	Telephone set	500 Donated by save the children
1.1.14	Photocopier Machine(1 No.)	40,000 Donated by save the children
		<u>70,850</u>

Note:

The Furniture and Equipment purchased for Normisjion Project is also used for office.

NOTES ON ACCOUNTS:

Significant Accounting Policies

1. These accounts have been prepared in accordance with Financial Rules and Regulation of the Government of Bhutan 2001 & 2016.
2. DPAB, being a non-profit organization accounts are prepared on cash basis and the income is recognized on the date of receipt and presented on the financial statements as Receipts and Payments Statement with schedules to show the details of the account.
3. As the accounts are prepared on cash basis, no credit purchase was made and no loan taken and hence no liability.
4. Account balances of the prior year such as balance of Fixed Assets, current asset items are maintained separately.
5. Most of the Fixed Asset items including items received through donations are accounted for. Some of the selected items of fixed assets were physically verified on test check basis and found correct.
6. Its financial year ends on 31 December each year.
7. All the funds for the project are received from NORAD + Normisjon, Norway as donation for the project and the office receives donations from various individuals and institutions.

AUDIT FINDINGS ON THE ACCOUNTS AND OPERATIONS OF THE NORAD FUNDED - ORGANIZATION DEVELOPMENT PROJECT UNDER DISABLED PERSONS' ASSOCIATION OF BHUTAN, THIMPHU

PART I: SIGNIFICANT ACHIEVEMENTS

The Auditors while reviewing the accounting records and operations of the NORAD Project implemented by DPAB, Thimphu had also reviewed the plans and programs implemented during the period under audit and noted the following accomplishments:

NORAD Project Activities

- Sent 2 women in Community Initiatives in Inclusion (CII) training course in Adapt (Able Disabled All People Together) in Mumbai, India on 9th January 2017.
- Education Support from Primary level to university level for 47 students including 7 visually impaired children sponsored by DPAB patron is being continued.
- DPAB supported 9 youth with disabilities to undergo high quality healing therapy and massage training at Norbu Healing Arts Centre (from March - June 2017).
- Five members from DPAB successfully participated in “The 7th International Festival of Arts and Culture” at Faculty of Fine Arts Srinakharinwirot University, Bangkok on 14th June 2017. This was a great opportunity and experience for the DPAB team to take part in the international festival.
- Conducted Disability and Inclusion awareness program in Wangdue Phodrang District in the month of May 2017. There are 15 village blocks and under that, 85 village block leaders and village health workers were present.
- Observed International Day of Persons with Disabilities on 3rd December 2017.
- DPAB published article in national newspaper (Kuensel) about International day of persons with Disability-3rd December to create awareness about the day to the public.

A PROFILE

Bhutanese society is generally sympathetic and compassionate to persons with disabilities, but at the same time, the gap remains wide in both knowledge and understanding among Bhutanese of relevant disability issues. Very little data is available on the prevalence and types of disabilities in Bhutan. The Population and Housing Census 2005 found 21,894 persons with disabilities or about 3.4 per cent of the population. The two-stage child disability study from age 2-9 conducted in 2010-2011 by Ministry of Education, Ministry of Health, National Statistical Bureau and UNICEF has indicated that about 21.3 percent of the children are with risk of disabilities in Bhutan.

Extended Bhutanese families have served the basic needs of the disabled persons traditionally. However, with development this support base is fast dwindling due to changes in the family structure, rural urban migration and breaking down of community bondages. Persons with disabilities are facing the double burden of having to fend for themselves as well as compete for limited vacancies in the increasingly skilled job market.

These issues are further heightened by the country's mountainous terrain and lack of adequate infrastructure. Only one school for the blind, National Institute for the Visually Impaired (NIVI), a school for deaf, six integrated schools for children special learning needs and one vocational school for children with disabilities exist now in the Bhutan. Consequently, thousands of persons with disability are lacking any access to education and other support services.

To address the growing needs of persons with disabilities and to complement the efforts of the royal government, the Disabled Persons Association of Bhutan was registered as a civil society organization on 26 November 2010 by a group of visually impaired persons.

Governance

The Association is governed by a Board of Trustees, whose members are elected from among members of the Association for a fixed term of office. An Executive Committee oversees the day-to-day functions of the Association. An Advisory Board provides technical and managerial support to the Executive Committee.

Governance of the Association is guided by its charter and the Articles of Association, as per the requirement of the Civil Society Organization Act 2007. Financial transactions and performance of the Association are subject to external auditing and scrutiny by the board and donors.

Vision:

“Create “An inclusive Bhutanese society that recognizes and respects the rights and needs of all persons living with disabilities in Bhutan, and promotes their long-term physical, psychological and social wellbeing.”

Mission:

“To facilitate the provision of inclusive education and improve the living conditions of persons with disabilities in Bhutan so that they can meaningfully participate in social, economic and political front”.

To achieve this, DPAB has the following **four objectives**:

1. Raise awareness and advocate for the rights of disabled persons in Bhutan.
 2. Enhance education and capacity of disabled persons.
 3. Improve the quality of life and living conditions of persons with disabilities.
 4. Facilitate communication, coordination and collaboration with relevant organizations within and outside the country.
- **Education** - Children with disabilities are less likely to start school than their peers without disabilities, and have lower rates of staying and being promoted in schools. Inclusion of children with disabilities in education, accessible schools, appropriately trained teachers, specialized support for individual students, will help improve education for children with disabilities.
 - **Support and Assistance** - People with disabilities can live independently in their communities with the right amount of support from family, friends, and the local community and rehabilitation professionals.
 - **Environments and Accessibility** - To ensure that people with disabilities have equal access to their environments, there is a need for the adoption of universal design standards for buildings, roads, modes of transport and ICT. This implies specialized training for architects and designers and showcased examples and templates for builders and engineers.
 - **Employment** - People with disabilities have the right to work and can be a productive part of the economy. Accessible workplaces, vocational training, entrepreneurship education and access to self-employment support such as micro-finance can assist people with disabilities to add value to their community and themselves.

B OBJECTIVES OF AUDITING

To ascertain and report whether:

- I. The financial statements of the NORAD funded - Organization Development Project implemented by Disabled Persons' Association of Bhutan correctly reflects the financial operations, in accordance with FRR 2001/2016 and NORAD Project Document for the financial year ended 31 December 2017;
- II. The Project funds were utilized efficiently and effectively for the intended purposes and to check the legality, regularity and propriety of the expenditure;
- III. Adequate and effective internal control system has been instituted;
- IV. The desired results or benefits established by the agency are being achieved; and
- V. Whether the taxes and levies are realized and accounted accurately.

C AUDITING METHODOLOGY

- I. Reviewing internal controls in place in the system;
- II. Inspection and examination of the records, documents and financial statements;
- III. Determining if the rules and regulation that are in force have been complied with;
- IV. Seeking relevant information from knowledgeable person inside and outside the Organization;
- V. Checking the arithmetical accuracy of the accounting records; and
- VI. Conducting the physical verifications of assets and stores.



Annexure D

Normisjon

NORAD-Funded Projects
Norwegian Agency for Development Cooperation

**PROJECT AUDIT
INSTRUCTIONS**

Annual 31st of December 2017

Auditor:	BDO AS
Issued by:	Roar Winge
Date issued:	October 31 st 2017



PROJECT

PROJECT AUDIT INSTRUCTIONS1

Key information2

 A-1 Purpose of the instructions2

 A-2 Important information2

 A-3 Engagement risk3

 A-4 Significant risks, including risks of material misstatement due to fraud.....3

 A-5 Performing GAAS.....4

 A-6 Financial reporting framework4

 A-7 Key accounting and auditing issues4

 A-8 Ethical requirements.....5

 A-9 Scope and materiality.....6

 A-10 Timetable of communications, Primary Team contacts and communication process6

Reporting9

 C-1 Acknowledgment of project audit instructions9

 C-2 Planning Memorandum..... 11

 C-2.1 Early Warning Report..... 12

 C-3 Audit Report Projects financed by (donor name) 13

 C-4 Questionnaire 15

 C-5 Required reporting of results to BDO 22

 C-6 Project auditor confirmation 26

 C-7 Management letter 27

KEY INFORMATION

A-1 Purpose of the instructions

BDO in Norway is chosen as external auditor for the NORAD (Norwegian Agency for Development Cooperation) projects supported through Normisjon. Consequently, BDO AS is required to provide an auditor's report for the NORAD projects.

The group audit instructions are designed to inform you, as component auditor, of the scope of work we require you to perform for the purpose of the group audit. The instructions outline, among other areas, the key reporting deadlines, audit deliverables to be submitted to us and communication guidelines.

We conduct our audit in accordance to with the International Standards of Auditing (ISA). The reports you provide us will be a necessary contribution for us to comply with these requirements. This is especially essential when it comes to identifying and reporting any material errors and / or material weaknesses in the projects' internal controls.

The reporting package is not meant to affect or replace compliance with national laws or regulations. **Section A** of these instructions describes the information related to the organization that is necessary for you to complete your work.

Section C of these instructions contains all reporting deliverables you should use to communicate to us.

Please send your acknowledgement of receipt of these project audit instructions (Section C-1) upon receipt.

The reporting timetable is contained in Section A-10. Templates for the reporting deliverables are included in Section C of these Instructions.

A-2 Important information

Please note that all documents must be submitted to us, in accordance with the timetable as describes under A-10.

Audit Report

For reporting on projects receiving financial support from the donor, the audit report in C-3 is to be used. Please clarify with your contact person in Normisjon if you have questions regarding the above.

Early warning report

We kindly ask that you prepare an early warning report and return it to us as soon as possible and no later than December 1st. The early warning report should consist of a file note on audit, accounting, internal control and issues identified at the planning meeting with the Normisjons' representative(s) and / or implementing organization, and should conclude on the major results of your interim audit procedures and your analysis of the financial data.

Questionnaire

The questionnaire is a mandatory part of the annual audit.

A-3 *Engagement risk*

Our overall risk assessment identified the following factors of which you should be aware of when performing your procedures at project level. We expect that you address these risks in your Planning Memorandum and Highlights Memorandum in C.2 and C.5.

▶ Fraud

If there are any conditions at the project that are inconsistent with this risk assessment, please notify us immediately.

Project audit teams who are also engaged as statutory auditors perform their own client acceptance/continuance procedures to be satisfied that they meet local statutory audit requirements. See also A-5 about significant risks.

A-4 *Significant risks, including risks of material misstatement due to fraud*

Our overall risk assessment identified the following factors of which you should be aware when performing your procedures locally. **We expect that you address these risks in your Planning Memorandum and Highlights Memorandum.**

Overall risk assessment factors

- ▶ Segregation of duties in relation to asset handling, ordering and approval of costs
- ▶ Bank: reconciliation of bank accounts, authorization, segregation of duties
- ▶ Cash: cash box reconciliation/counting (at minimum January and June)
- ▶ Assets: securing purchased assets (e.g. inventory for shelters, computers and cars)
- ▶ Investments: approval of contractors, completions of houses, handing over certificates to beneficiaries
- ▶ Fictitious cost: look for vouchers and see that they are originals and signed
- ▶ Cut-off costs: all costs should be related to goods or services that have been delivered at the balance sheet date. Intention to purchase goods or services, although the purchase is agreed with vendor, does not meet the requirements
- ▶ Double financing: Be especially aware of the risk of double financing of the project, i.e. the project receives funds from two different donors for the same costs

If there are any conditions at your location which are inconsistent with this risk assessment, please notify us immediately.

A-5 Performing GAAS

We are required to perform our audit in accordance with international auditing standards. Your report must contain a confirmation that you have complied with International audit standards, citing the relevant ISA standards.

A-6 Financial reporting framework

The accounting policies applied by NORMISJON are in accordance with Norwegian Generally Accepted Accounting Procedures (NGAAP) and current practices in humanitarian organizations.

A-7 Key accounting and auditing issues**Key accounting and auditing issues**

The following provides a summary of key accounting and auditing issues that may be encountered during the audit of the Norad financed projects. All teams need to consider these issues to the extent applicable for their projects.

- ▶ Cut off costs
- ▶ Existence of cash
- ▶ The exchange rate used on cash balance per 31st of December

A-8 Ethical requirements

As the partner in charge of the project audit engagement¹, you are responsible for forming a conclusion on compliance with the independence requirements that apply to the engagement in accordance with the IFAC Code of Ethics for Professional Accountants². In order to manage overall independence, we require that you provide a representation with respect to independence in accordance with the format in Section C-1.

If you identify any potential conflicts or threats with respect to your independence, please contact us to enable an overall consideration immediately.

Scope of other services

We especially point out that Norwegian independence regulations do not contain "safeguarding mechanisms" allowed under IFAC rules in certain situations, nor any procedures to fix an unintentional breach of independence. Below is a general description of services we are prohibited from providing to the partners.

The following services are prohibited in all instances.

- Bookkeeping or other services related to the accounting records or financial statements of the audit client
- Financial information systems design and implementation
- Appraisal or valuation services
- Actuarial services
- Internal audit outsourcing services
- Management functions (see below)
- Human resources (i.e., executive recruiting)
- Broker or dealer, investment adviser, or investment banking services

¹The partner in charge of the project audit engagement is a partner or other person in the firm who is responsible for the project engagement and its performance, and for the report that is issued on behalf of the firm.

²ISA 220.11

Legal services "Management functions" is defined broadly by the Norwegian regulator and covers "in fact" as well as "in appearance" matters. We should therefore never take on a "role" that can be seen as carrying out work or tasks that is management responsibility (e.g. establishing or maintaining proper internal controls, compensate for lack of resources or skills at the client, perform recurring reconciliation of accounts etc.). Further, we should never be considered to "advocate client's interests" or "represent the client externally" (except in tax matters where we can follow IFAC guidelines).

A-9 Scope and materiality

We have been engaged to express an opinion on the project accounts for the period ending 31.12.2017. In this context, you have been requested to perform work on the project funded through NORMISJON

We require you to perform a project audit in accordance with ISA 800, 805, with a focus on the validity and accuracy of costs, and existence of assets and liabilities.

Appendix C-3 provides the prescribed format of the report.

Project materiality has been established at 1 % of total costs on the project. Specific performance materiality / performance materiality can be determined by you as the component auditor but cannot exceed 75 % of your component materiality. However, note that all identified errors in the project audit are to be corrected.

A-10 Timetable of communications, Primary Team contacts and communication process

Open lines of communication between the auditors are essential for the effective execution of the audit. Therefore, in addition to the communications required in these instructions, the following general protocols apply:

Issues are communicated on a timely basis and not addressed only through the formal reporting process and dates;

All reporting deadlines have to be met due to the minimal review time allowed in Oslo, Norway. Any potential delays should be communicated immediately.

Timetable

Description of Communication	Reference	Due Dates	Report BDO
REPORTING			
Project team interoffice engagement instructions acknowledgment	C-1	Upon receipt	X
RELEVANT TO THE AUDIT			
Planning Memorandum	C-2	December 1 st 2017	X
Early warning report	C-2.1	December 1 st 2017	X
Audit Report Projects financed by the donors	C-3	February 15 th 2018	X
Questionnaire	C-4	February 15 th 2018	X
Required reporting of results, including Highlights Memorandum	C-5	February 15 th 2018	X
Project auditor confirmation	C-6	February 15 th 2018	X
Management letter	C-7	February 15 th 2018	X
Other			
Statutory Financial Statements	Audit Agreement	February 15 th 2018	X

Please immediately advise Leif Åge Aabø (leif.age.aabo@bdo.no) if you anticipate that you will not be able to meet one or more of the requested reporting deadlines.

Please refer to the relevant templates and instructions in Section C for guidance on the content of each communication.

Primary Team Contacts:

Name	Level	Cell Phone No.	Email Address
Roar Winge	Project Engagement Partner	+47 952 40 015	roar.winge@bdo.no
Leif Åge Aabø	Senior manager	+47 404 53 736	leif.age.aabo@bdo.no
Øyvind Holmby	Senior associate	+47 990 04 033	oyvind.holmby@bdo.no

We ask you to send the reporting documents to: oyvind.holmby@bdo.no or alternatively by mail to the address below

Primary Team Office

BDO AS
 Attention: Øyvind Holmby
 Postboks 134
 N-2001 Lillestrøm
 Norway

Communication Protocol

It is expected that all communications will be submitted by the audit team in accordance with the timetable outlined above.

The partner in charge of the project audit engagement evidences his or her approval, where required by a section of these instructions, by a manual signature on the form (which can be scanned and sent as a PDF copy by email) or by sending the completed form by email from his or her own computer with a confirmation that he or she has approved its content.

Correspondence with the team should be via e-mail as much as possible. To increase effectiveness, please contact/send all communications to the persons specified below:

- ▶ Seeking clarifications of the Instructions, please contact Øyvind Holmby
- ▶ Communication of significant issues, please contact Roar Winge or Leif Åge Aabø

In order to efficiently co-ordinate the large volume of audit-related documents, we request that you consider the following when forwarding information:

- ▶ When scanning documents please ensure that the page sequence is clearly understandable
- ▶ All requested information and reports should be forwarded in English.

1.

2.

REPORTING

C-1 Acknowledgment of project audit instructions

I acknowledge receipt of your project audit instructions including appendices for the project audit work on Organization Development Project to be performed on the project(s) listed below for which I am responsible.

Name(s) of project(s): Organization Development Project
 Project identifier: Disabled Persons' Association of Bhutan (DPAB)
 Relevant members of project auditor's team

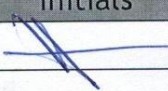

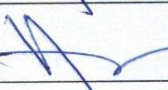

Role	Name	Phone	Email
Partner in charge ³ of project engagement	Bishnupal Gurung	975 17600396	blgurung2010@gmail.com
Senior Manager	Karma Wangchuk	975 17800653	karmazidane5@gmail.com
Other resources			


Please indicate below the number of years with your firm, the number of years of industry experience and the number of years of experience with the project that is to be audited.

In 16 years of my firm, with my 37 years' experience in audit and this is the second audit we conducted the audit of this project.

³The partner in charge of the project engagement is a partner or other person in the firm who is responsible for the component engagement and its performance, and for report that is issued on behalf of the firm.

Acknowledgment of receipt of the instructions

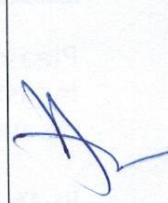
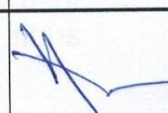
	Initials
1. I acknowledge that I have read the project audit instructions.	
2. I confirm that I am the partner in charge of the project engagement who is responsible for the work to be performed in relation to the project(s) listed above.	
3. I confirm that I understand the audit scope and the instructions for the project(s) for which I am responsible.	
4. I confirm that our project team possesses the necessary skills to perform the work on the financial information of this (these) project(s), has the appropriate experience and an appropriate understanding of the [Generally Accepted Auditing Standards] and [project applicable financial reporting framework] that is sufficient to fulfil our responsibilities for the audit of the project financial statements.	
5. I confirm that I have read the due dates set out in the timetable in Section A-10 and that I do not expect any problems in complying with your reporting deadlines, requirements and communication protocols.	***

6. I confirm that we will cooperate with you and provide you with access to relevant audit documentation.	
---	--

Describe any exceptions to your ability to comply with the instructions or specify the instructions for which you do not have a clear understanding and for which you require a clarification.

**** We received the Audit engagement letter on 21 March, 2018, though the Section A-10 has set out timetable much before the receipt of the engagement letter. Therefore, we could not meet the deadlines*

Confirmation of independence

I confirm that I am independent of (Organization Development Project, DPAB) in accordance with the IFAC Code of Ethics for Professional Accountants and the Norwegian independence rules as stated in A-8 above. I also confirm that my firm is independent of (Organization Development Project, DPAB ⁴) in accordance with the IFAC Code of Ethics for Professional Accountants and the Norwegian independence rules.	
I confirm that it is my responsibility to inform you of any changes to the above representations that could occur during the course of our work on the financial information of the project(s) for which I am responsible.	

⁴ [refer to instructions for use]

Partner in charge of the project engagement – signature: Bishnual Gurung, Date: April 2, 2018.

Partner in charge of the project engagement – name: Bishnual Gurung, BASE, Thimphu Bhutan

C-2 Planning Memorandum

You are requested to complete an Audit Planning Memorandum. The Audit Planning Memorandum is the document that summarizes your overall strategy and audit plan. The extent of documentation in the Audit Planning Memorandum is commensurate with the assigned project materiality.

The Audit Planning Memorandum includes, at a minimum, the following matters:

- ▶ **Significant changes in the nature of the project or its environment**, including a brief description of the project's business, markets, other key environmental factors, and key stakeholders and the effect on your audit.
- ▶ **Factors arising from the acceptance / continuance procedures**, including a brief description of any factors arising from the acceptance/continuance procedures.
- ▶ **Preliminary analytical review from the overall analysis of financial and non-financial information** that have an effect on the project audit.
- ▶ **The project materiality and threshold for clearly trivial misstatements** used for project reporting purposes.
- ▶ **Significant accounting and auditing matters**, including a brief discussion of your plan to address them, and any changes in the selection and application of the accounting policies at the project.
- ▶ **Summary of your observations relating to the key elements of the audit at the project.**⁵
- ▶ **The team's discussion and significant decisions about :**
 - The susceptibility of the financial information of the project to material misstatement due to fraud
 - Related party relationships and transactions including plans to obtain sufficient appropriate evidence
 - Significant accounting estimates
- ▶ **Significant risks**, including those risks communicated by us or identified by you in addition to those communicated by us, risks of material misstatement due to fraud and risks related to significant related party transactions outside the project's

⁵ Refer to ISA 315 .15 for further details

normal course of business, and the proposed response(s) to those risks. If you havenot identified revenue recognition as a risk of material misstatement due to fraud, include the reasons supporting your conclusion.

- ▶ **Matters related to litigations and claims** which may be significant for the project audit.
- ▶ **The list of material account balances, classes of transactions or disclosures**, including the overview of the audit strategy and, where applicable, audit plan at the account /assertion level.⁶
- ▶ **Other matters of significance as considered appropriate.**

If one or more of the topics above are not applicable to your project audit engagement, or you don't have anything to report, please so indicate in your Audit Planning Memorandum.

C-2.1 Early Warning Report

We require an Early Warning Report for the project/projects audit(s) you are responsible for to be completed and sent to the project audit engagement team within the dates set out in the reporting timetable above. It should consist of a file note on audit, accounting, internal control and issues identified at the planning meeting with Normisjons' Representative(s) and should conclude on the major results of your interim audit procedures and your analysis of the financial data.

Specifically, we ask you to inform us immediately of the following issues:

- expected qualification of your opinion and description of the reason;
- significant accounting and auditing issues and a brief discussion of your plan to address them;
- significant changes in programme activities and financial figures;
- fundamental weaknesses in the internal control structure;
- difficult accounting or audit issues;
- any deviation from the applicable reporting GAAP and the Audit engagement instructions;
- significant unadjusted audit/review differences as far as already determined;
- illegal or questionable acts;
- fraud;
- inability to meet the reporting deadline; and
- any financial or economic problems that came to your attention.

⁶ISA 330.18

C-3 Audit Report Projects financed by (donor name)

Name of Local Entity: 10764 - Organization Development Project, DPAB
Year End: 31.12.2017

To: Primary Team / Roar Winge

Independent auditor's report on project financed by (NORAD)

Conclusion

We have audited the project report for 10764 - Organization Development Project, DPAB, for the period ending 31.12.2017, comprising a statement of expenditures showing total expenditures of Nu. 3,632,680.40 (total of Schedule 2 and 3 of the Receipt and Payment Account).

In our opinion, the project report for 10764 - Organization Development Project, DPAB, for the period 01.01.2017 - 31.12.2017, are prepared, in all material respects, in accordance with the basis of rendering the accounts described in note Schedule 2 and 3 of the Receipt and Payment Account.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs) 800. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the project report. We are independent of the Project as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 and Restriction on Distribution

We draw attention to Note X to the project report, which describes the basis of accounting. The project report is prepared to provide information to 10764 - Organization Development Project, DPAB and other intended users. As a result, the project report may not be suitable for another purpose. Our report is intended solely for 10764 - Organization Development Project, DPAB and other intended users, and should not be distributed to any other parties. Our opinion is not modified in respect of this matter.

Responsibilities of the Management for the project report

The management is responsible for the preparation of the project report, and for such internal control as management determines is necessary to enable the preparation of a project report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the project report

Our objectives are to obtain reasonable assurance about whether the project report 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), 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. We 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 omissions, 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.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Place, date
Thimphu,

April 2, 2018

Partner name: Bishnulal Gurung,
Title: Proprietor of BASE as Team Leader

C-4 Questionnaire

A. QUALIFIED AUDIT REPORT

If you have qualified your project audit report on the financial statements or intend to do so, please give details and background for the reasons for the qualification below.

B. SIGNIFICANT MATTERS NOT COVERED BY THE DETAILED AUDIT QUESTIONNAIRE

Please indicate all matters of a significant nature which arose during the course of your audit and which have not been covered in the answers to the questions in Section C (where available, receipt of a copy of your final project audit review notes would be appreciated). Please also include any other matters which you consider should be brought to our attention as auditors of Normisjon. Please also comment on any significant variations in balance sheet and profit and loss account items from the previous year. Indicate if any items have been significantly affected by non-recurring or exceptional items. Please comment on any extraordinary items shown in the financial statements or the reporting package for the project.

C. DETAILED QUESTIONNAIRE

1. GENERAL

1.1 Please confirm that no limitations were placed on the scope of your examination by management that would preclude you from conducting a full scope audit in accordance with the international audit instructions sent to you by us.

Yes No Not applicable

Reason for no or not applicable:

1.2 Has the audit been performed in accordance with International Standards on Auditing (or auditing standards generally accepted in a designated country) covering the following areas:

- (a) planning, controlling and recording;
- (b) accounting systems;
- (c) audit evidence;
- (d) internal controls; and
- (e) review of financial statements?

Yes () No Not applicable

Reason for no or not applicable.....

1.3 Did you obtain from project officials a management representation letter in respect of all significant matters where subjective management judgment was important?

Yes No Not applicable

Reason for no or not applicable: We did not come across any such subjective judgement made by the management.

1-4 Did you carry out the audit of the whole organisation, which the project is a part of? If no, please note the name of the auditor below.

Yes No Not applicable

Reason for no or not applicable.....

1.5 Did your audit include a study and evaluation of the entity's system of internal control?

Yes No Not applicable

Reason for no or not applicable.....

1.6 In determining the nature, timing and extent of substantive tests of account balances, was reliance placed on the functioning of the system of internal control? If so, were compliance tests performed to test the function of the system of internal controls?

Yes No Not applicable

Reason for no or not applicable.....

1.7 During your study and evaluation of the internal controls, were any material weaknesses in the system of internal controls identified?

If so, have all material weaknesses

- been considered in the design of your audit procedures?
- discussed with the management of the local project and reported to us as auditors of the parent project? Please attach copies of any communications with the client on internal control and other matters.

Yes No Not applicable

Reason for no or not applicable.....

1.8 Did you specifically consider the requirements of the auditing standards being applied with respect to the risk of material misstatements in the financial statements resulting from fraud or error?

If so, were there any matters that were identified which were communicated to management? Please attach a copy of any communications with the client on fraud and error.

Yes No Not applicable

Reason for no or not applicable.....

1.9 During the course of your project audit did you identify any conditions or events that lead you to question whether the entity was complying with laws and regulations?

If so, were there any conditions or events that were identified that were discussed with management?

Please attach a copy of any communications with the client on noncompliance with laws and regulations.

Yes No Not applicable

Reason for no or not applicable: We knew that the DPAB was following the prescribed financial rules and regulations of the government of Bhutan and was governed by the CSO Act of Bhutan.

1.10 Did you carry out a review of events after the balance sheet date?

Did this confirm that no amendments were required to the financial statements, and in particular that the going concern basis was appropriate?

Yes No Not applicable

Reason for no or not applicable.....

Please give the date up to which your review was carried out: 29.03.2018

1.11 Are the financial statements /project financial reporting packages prepared in accordance with the relevant requirements of:

- (a) Project audit engagement instructions?

Yes No Not applicable

Reason for no or not applicable: The management has its own format for financial reporting, the accounts are maintained in Tally software program by an Accountant in the form of Income and Expenditure Account and the data is extracted and financial statements are prepared in excel for reporting purpose in the form of Receipt and Payment Account by the Accounts Officer. This allows the management to double check the errors if any.

1.12 Have all accounting policies necessary for a full understanding of the financial statements been disclosed?

Yes No Not applicable

Reason for no or not applicable.....

1.13 Did you obtain letters from lawyers to obtain corroborative audit evidence that there is no litigation or claims pending against the organization which, if decided adversely, would have a material effect on the financial statements?

Yes No Not applicable

Reason for no or not applicable: There was no necessity for such letter.

1.14 Did you perform audit procedures to identify contingencies and post balance sheet events? If so, have they been appropriately accounted for and is the disclosure adequate?

Yes No Not applicable

Reason for "not applicable":

1.15 Are you satisfied that you have been given all relevant information in respect of all contracts of a material nature that were effective during the period under review or could give rise to losses?

Yes No Not applicable

Reason for no or not applicable.....

1.16 Have the relevant matters included in the minutes been appropriately reflected in the financial statements?

Yes No Not applicable

Reason for no or not applicable.....

1.17 What material variations have there been in the following:

(a) actual results as compared with budget?

Please quote explanations you have received from local management

Overall budget is compliant, though there are some variation in activity wise budget.

1.18 Were detailed audit programs prepared for the audit of all significant accounts?

Yes No Not applicable

Reason for no or not applicable.....

1.19 Have all the working papers been reviewed by a person other than the person performing the work?

Yes No Not applicable

Reason for no or not applicable.....

2 CASH AND CASH EQUIVALENTS

2.1 Did you obtain confirmation of all bank balances direct from the bank?

Yes No Not applicable

Reason for no or not applicable.....

2.2 Have petty cash been counted/checked by yourselves?

Yes No

Reason for no: There was no petty cash but cash balance of Nu.707 only.

2.2 Have all reconciliations been checked by yourselves?

Yes No Not applicable

Reason for no or not applicable.....

2.3 Are you satisfied as to the local paying-in arrangements by branches and the transfers there from to the head office bank account?

Yes No Not applicable

Reason for no or not applicable: DPAB has no branch office and therefore no such transaction exists.

2.4 Are year-end bank balances or the cash in hand unusually large/small in relation to the normal balance?

Yes No Not applicable

Reason for yes or not applicable:

2.5 Are any bank balances blocked or restricted in any way?

Yes No Not applicable

Reason for yes or not applicable.....

3 ACCOUNTS RECEIVABLE

3.1 Has there been a review of after date receipts?

Yes No Not applicable

Reason for no or not applicable.....

3.2 Are any accounts received due after more than one year?

Yes No Not applicable

Reason for yes or not applicable.....

4 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

4.1 Did you satisfy yourselves regarding purchase cut-off at the year end?

Yes No Not applicable

Reason for no or not applicable.....

4.2 Have satisfactory steps been taken to ensure that all liabilities have been included in the accounts?

Yes No Not applicable

Reason for no or not applicable: Accounts are prepared on Cash basis and no loan taken. Therefore, there is no liability created by DPAB.

4.3 At the balance sheet date, had the project any:

(a) significant purchase commitments for quantities in excess of requirements or at prices in excess of market value at that date?

Yes No Not applicable

Reason for yes or not applicable.....

4.4 Is there adequate disclosure in the accounts of the nature and amount of unusual and/or substantial provisions?

Yes No Not applicable

Reason for "not applicable":

6 INVENTORIES/ASSETS

6.1 Are you satisfied as to the existence of the assets according to sub sheet?

Yes No Not applicable

Reason for no or not applicable.....

6.2 Do you have a register showing the balance as of 1.1.2017, movements in the period and balances as of 31.12.2017

Yes No Not applicable

Reason for no or not applicable.....

7 INFORMATION ON POLICIES/PROCEDURES/SYSTEMS

7.1. Have you seen the organisation's policy/procedures regarding:

(a) Procurement

Yes No Not applicable

Reason for no or not applicable: As Civil Society Organization (CSO), DPAB follows Government Procurement Rules if heavy purchases are made. However, no heavy purchases were made during the year.

(b) Fraud and corruption prevention

Yes No Not applicable

Reason for no or not applicable.....

(c) Vehicle use

Yes No Not applicable

Reason for no or not applicable: DPBA has no vehicle of their own.

7.2 Does the organisation have a stock control system?

Yes No Not applicable

Reason for no or not applicable.....

7.3 Does the organisation have a comprehensive annual budget process?

Yes No Not applicable

Reason for no or not applicable.....

7.4 Does the organisation carry out any consolidated audits?

Yes No Not applicable

Reason for no or not applicable: Only financial audit is carried out in DPAB so far.

7.5 State the accounting system used by the organisation


Account is maintained on Cash Basis and use Tally software supplemented by Excel.

7.6 State what external audits are annually carried out by the organisation

Financial audit is carried out on annual basis.

Partner in charge of the project engagement:

Name: Bishnual Gurung Country/Office: Business Accounting Services Enterprise (BASE), Thimphu Bhutan.

Signature:  Date: 2/4/18

C-5 Required reporting of results to BDO

Part I: Highlights Memorandum

The highlights memorandum should include the following:

- 1 A brief description of the project which should include:

Purpose of the project

The purpose of the project is to clarify the premises of DPAB to serve the disabled people of Bhutan and defend the interest of the group so that each individual can achieve a better living situation and gain a future with opportunities comparable with the general public

Progress report with status and explanation of any deviations from planned duration of The project.

The Significant achievements attached to the main audit report may be taken as the progress report, as the periodical progress reports are expected to be submitted to the donor.

ACHIEVEMENTS

1. Empowerment of women:

- Sent 2 women in Community Initiatives in Inclusion training course at Adapt (Able Disabled All People Together) in Mumbai, India on 9th January 2017.

2. Training:

- Conducted sign language summer class in collaboration with Wangsel Institute (School for the Deaf) from 4th to 25th July 2017. Ability Bhutan Society, DPAB and families /parents/siblings of Deaf participated in the summer class.

- Conducted sign language winter class in the month of December 2017. A total of 40 participants took part. Aim of this class was to provide basic knowledge of communicating with the deaf community.
 - Ms. Sarha from USA, DPAB's volunteer trained DPAB staff on fund raising and strategy plan for 2 days.
 - DPAB organized meetings with the officials of Election Commission of Bhutan to discuss about disabled friendly election, voting rights of persons with disabilities and accessibility of polling booth in the voting areas in Bhutan.
- 3. Education Support from Primary level to university level for 47 students including 7 visually impaired children sponsored by DPAB patron is being continued.**

4. Independent Living skills training program:

- DPAB supported 9 youth with disabilities to undergo SPA therapy training at Norbu Healing Arts Centre (from March - June 2017).
- 3 members of DPAB's music trainee got recruited as music instructor in 3 government schools in Wangdue, Chukha and Samdrupjongkhar.

5. Assistive devices:

- Upon receiving donation of assistive devices from Physio Net, London in March 2017, DPAB distributed the assistive devices to Draktsho, Jigme Dorji Wangchuck National Referral Hospital and to the individuals with disabilities.

6. Cultural Exchange program:

- 5 members from DPAB successfully participated in "The 7th International Festival of Arts and Culture" at Faculty of Fine Arts Srinakharinwirot University, Bangkok on 14th June 2017.
- In collaboration with Bhutan Foundation, DPAB sent 2 persons with low vision to represent in the 1st Asian Chess Championship tournament for Persons with Disabilities in Kyrgyzstan, September 15, 2017.
- Sent 5 persons with disabilities to participate in the international event- SAMBHAV, in New Delhi.

7. Awareness program:

- Conducted Disability and Inclusion awareness program in Wangdue Phodrang district in the month of May 2017. Covered all 15 village blocks and sensitized 85 village block leaders and village health workers.
 - Observed International Day of Persons with Disabilities on 3rd December 2017.
 - DPAB organized a trip for persons living with disabilities and their caregivers to Kuensel Phodrang (Buddha Point) coinciding with the Celebration of International White Cane Day on the 15th of October 2017.
 - DPAB published article in national newspaper (Kuensel) about the International Day of Persons with Disability on 2nd December to create awareness.
1. Important accounting and auditing matters including management letter items sent to local management.
 2. Conclusion of accounting and auditing issues addressed in planning memorandum
 3. Conclusion (Qualified opinion or not)

Clean Audit report

Part II: Summary of Misstatements

Each highlights memorandum includes a Summary of Audit Differences. The summary of misstatements template is a required template and is used to accumulate and summarize misstatements on all engagements.

Please report all misstatements to project management as they arise and request project management to correct all proposed misstatements above summary of misstatements nominal amount arising from our procedures.

All misstatements above the summary of misstatements nominal amount are included in the summary of misstatements. Provide adequate explanation of the nature of each misstatement (including a brief discussion of project management's position and an explanation of your position) in the highlights memorandum and note whether it has been discussed and cleared with project management.

In order for us to appropriately communicate with those charged with governance, we need to be aware of any misstatements corrected by project management above summary of misstatements nominal amount within their reported results. Accordingly, please communicate corrected misstatements in the summary of misstatements template.

Audit differences include both errors and judgmental differences. Report all audit differences to local management as they arise. Encourage management to record all proposed adjustments arising from our procedures.

Recorded differences are communicated in the format below.




Name of Local Entity: 10764 - Organization Development Project, DPAB
 Reporting Currency: Bhutanese Ngultrums (Nu.)
 Year End: 31.12. 2017

W/P Ref.	II.	Increase (Decrease) Income			
		Current Year Differences	Ref.	Prior Year Differences	Ref.
III.	Recorded Audit Differences				
	• Fund Transfer from Normisjon as compared to last year. Nu.	(65,266.48) A.	B. R & P Account		
	•				
	•				
	•				
	Unrecorded Errors:				
	•				
	•				
	•				
	Unrecorded Judgmental Differences:				
	•				
	•				
	•				
	Total effect	Nu.	(65,266.48) C.	D.	E.
F.	G.	H.	I.	J.	K.
L.	M.	N.	O.	P.	Q.
R.	S.	T.	U.	V.	W.
X.	Cumulative Differences Before Turn-Around	(65,266.48)			
	(% of current year's net income)	1.8%	IV.	V.	VI.
VII.	VIII.	IX.	X.	XI.	XII.
XIII.	Turn-Around Effect of Prior-Year's Differences:				
	• All Errors				
	• Judgmental Differences:				
	•				
	•				
	Cumulative Difference, After Turn-Around				
	(x% of current year's net income)				

C-6 Project auditor confirmation

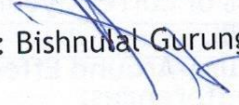
Relevant members of project auditor's team

Role	Names	Phone	Email
Partner in charge of project engagement	Bishnual Gurung	975 17600396	blgurung2010@gmail.com
(Senior) Managers	Karma Wangchuk	975 17800653	karmazidane5@gmail.com
Other Resources			

	Initials
1. I confirm that we have complied with ethical requirements in accordance with the IFAC Code of Ethics for Professional Accountants, including independence and professional competence	
2. I confirm that we have completed our audit/review procedures in accordance with International Standards on Auditing ⁷ and that we have completed additional procedures as described in the project audit instructions or in other instructions received from you.	
3. I confirm that we will have complete and final documentation that supports the reporting package forms and the completion of procedures described in the project audit instructions no more than [end of April 2018] days after the project auditors' report date, which is currently estimated to be [date] If we have any concerns about meeting this requirement, I will bring them to your attention as soon as they are known.	

Describe any exceptions to the statements above:

Except for meeting the deadline we have covered other audit requirements as far as we have understood from your instructions. Besides, I am putting my name and tick marks in place of signature or initials as the proprietor of BASE. Should I complete it with signature/initial please let me know along with your other comments on completing this form. I can print and sign and send you scanned copies.

Partner in charge of the project engagement – signature:  Bishnual Gurung, Date: 2/4/18 April 2, 2018.

Partner in charge of the project engagement – name: Bishnual Gurung, BASE, Post Box 238, Thimphu Bhutan.

⁷If you perform a review in accordance with ISRE 2400, or ISRE 2410, replace International Standards on Auditing with International Standards on Review Engagement (ISRE)

C-7 Management letter

In addition to, and independent of the project audit report, the Auditor shall report on legal compliance and internal financial control weaknesses and give recommendations to Normisjons' management as in accordance with the audit engagement instructions

The Management Letter should include deficiencies noted under the following headlines:

- 1) Internal control and fraud
- 2) Civil/criminal litigation
- 3) Laws and regulations
- 4) Supporting documents

There was no major observation from audit and no audit memo was issued. However, during the audit exit meeting the following points were suggested to the DPAB project management:

2) Financial Reports produced from Tally software reflected difference in opening balance by Nu. 40,489 as at 31.12.2017. There were differences each year since 2015 in the Trial Balances with different figures. It was noticed that this was the result of maintaining one consolidated account for both project and the office and opening separate account every year with wrong opening balances and omission of the balances. The management explained that the Tally software was introduced only in 2017 but efforts were made to capture the accounts from 2011 by the newly recruited accountant. In the past, the accounts were prepared in excel sheets and audited. In order to avoid similar errors in Tally the management has started with a separate account for Office and the Organization Development Project funded by NORMISJON commencing from 01.01.2018 supplemented by correct reports in Excel. The management also assured that they will not open new account every year but continue in the same file by changing the date after every financial year. It was decided that the supplementing of the account with preparation of financial reports in excel sheet will continue so that any error can be detected on time.

3) Regarding Fixed Asset items with very small values could be charged to expenses. The management wished to depreciate the fixed asset items for their record in future. It was then decided that the management will maintain a schedule of fixed assets with depreciation in future.

Status and management action on deficiencies from the previous year's management letter should also be commented.

All deficiencies should have a risk ranking (Low-Medium-High). To clarify issues raised in the report, a draft of the management letter shall be submitted to the Country Director for comments. The Country Director's comments shall be included by the

Auditor in the final management letter that will be submitted by **February 15th** together with the audit report. The Country Director may postpone this deadline in special circumstances, after having received approval by the Director of Finance.

Please also provide details of matters that you have either communicated or are expecting to communicate with those charged with governance.

If the comments are written in a language other than English for local use, only summaries in English should be sent to us. Furthermore, and whenever possible, such translations should be agreed upon with local management in order to avoid misunderstandings resulting there from.

[A large rectangular box, likely a placeholder for a signature or stamp, is present in the center of the page. The text within this box is extremely faint and illegible.]