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**ROYAL AUDIT AUTHORITY**  
*Bhutan Integrity House*

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



RAA/GGD/(E4) CSO-01/AR/DPAB/2019/ 987

April 15, 2019  
17

Executive Director  
Disabled Persons' Association of Bhutan  
Thimphu, Bhutan

**Subject: Audit Report on the Accounts and Operations of the NORAD funded - Organization Development Project implemented by Disabled Persons' Association of Bhutan**

Sir,

Enclosed herewith please find the audited financial statements and auditor's report thereon in respect of the **NORAD funded - Organization Development Project implemented by Disabled Persons' Association of Bhutan** for the period from January 1, 2018 to December 31, 2018. The audit was conducted as required under the Audit Act of Bhutan 2018 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, in all material respects, in accordance with the Financial Rules and Regulations 2016. Accordingly, the RAA has expressed unmodified (clean) opinion on the financial statements for the year ended December 31, 2018.

**Audit Findings and Recommendations**

The auditors' review of the accounting records, internal controls and operations of the Disabled Persons' Association of Bhutan revealed some deficiencies and lapses. However, all two (2) audit findings issued were settled in view of assurances provided by the management to comply with in future. The same has been highlighted in PART-II of the main report.

The Royal Audit Authority acknowledges the kind co-operation and assistance extended to the audit team by the officials of the Disabled Persons' Association of Bhutan which facilitated the completion of the audit.

Yours sincerely,

(Dechen Pelden)  
Assistant Auditor General, GGD

**Copy to:**

1. Member Secretary, Civil Society Organization Authority, Thimphu for kind information
2. Assistant Auditor General, GGD, Thimphu
3. Assistant Auditor General, FUCD, RAA, Thimphu

*'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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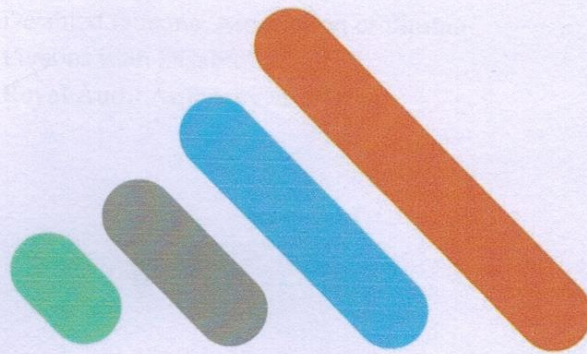
**FINANCIAL AUDIT REPORT  
OF THE NORAD-FUNDED  
ORGANIZATION  
DEVELOPMENT PROJECT,  
IMPLEMENTED BY THE  
DISABLED PERSONS'  
ASSOCIATION OF BHUTAN  
(DPAB), THIMPHU, BHUTAN**

**PERIOD: JAN 1, 2018 to DEC 31, 2018**

**APRIL, 2019**

TITLE SHEET

Title	:	Financial Audit Report of the NORAD-funded Organization Development Project implemented by Disabled Persons' Association of Bhutan, Thimphu, Bhutan
Head of the Agency	:	Sonam Gyamtsho, Executive Director CID No. 10711002077
Drawing & Disbursing Officer	:	Sonam Gyamtsho, Executive Director CID No. 10711002077
Finance Personnel	:	Sonam Deki, Finance Officer CID No. 11911001272
Period Audited	:	January 1, 2018 - December 31, 2018
Schedule of Audit	:	Planning: March 28, 2019 - April 1, 2019 Actual: April 2, 2019 - April 9, 2019 Reporting: April 17, 2019
Composition of Audit Team	:	<u>Team Leader:</u> Tashi Rinzing Schmidt, Managing Partner CID No. 11410002120 <u>Team Members:</u> 1. Kunzang Pasa Tenzin, Audit Associate CID No. 11410000669 2. Ngawang Loday, Audit Associate CID No. 10604000452 3. Shrijana Rai, Audit Associate CID No. 11306001532
Supervising Officer	:	Tashi Rinzing Schmidt, Managing Partner
Focal Person	:	Tashi Rinzing Schmidt Email: tashi@rinzingfinancial.com Phone: +975 7765 3070
Date of Audit Exit Conference	:	April 9, 2019



# Rinzing Financial Group

## Disclaimer Note

The coverage of this report is based on the facts, figures and information made available and accessible to the audit team by the project management, **Disabled Persons' Association of Bhutan (DPAB), Thimphu**. The opinion of the auditors shall be confined to the period covered and information made available till the time of issue of this report.

This is also to certify that the auditors during the audit had neither yielded to pressure, nor dispensed any favor or resorted to any unethical means that would be considered as violation of the Royal Audit Authority's Oath of Good Conduct, Ethics and Secrecy of Auditors.

## ACRONYMS

CID	:	Citizenship Identification Card
CSOA	:	Civil Society Organization Authority
DPAB	:	Disabled Persons' Association of Bhutan
PWD	:	Persons with Disabilities
RAA	:	Royal Audit Authority of Bhutan

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**AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF THE NORAD-FUNDED ORGANIZATION DEVELOPMENT PROJECT, IMPLEMENTED BY DISABLED PERSONS' ASSOCIATION OF BHUTAN, THIMPHU FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018**

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**Opinion**

We have audited the accompanying financial statements of the NORAD-funded Organization Development Project implemented by Disabled Persons' Association of Bhutan, which comprise the Statement of Receipts and Payments and schedules forming part of the financial statements for the financial year ended December 31, 2018.

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

**Basis for opinion**

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of Financial Statements section of our report. We are independent of Disabled Persons' Association of Bhutan, Thimphu in accordance with RAA's Code of Ethics, 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 the preparation of the financial statements in accordance with the Financial Rules and Regulations 2016 and for internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

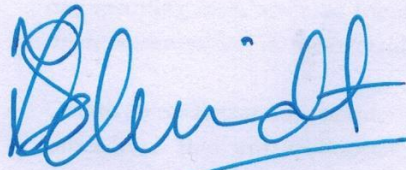
Those charged with governance are responsible for overseeing the Disabled Persons' Association of Bhutan's financial reporting process.

**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.

A further description of our responsibilities for the audit of the financial statements is included in Appendix I of this auditor's report. This description is located at Page No. 3 which forms part of auditor's report.

For Rinzing Financial Group



Tashi Rinzing Schmidt, CPA

Managing Partner

CPA License No. 34762



Date: April 17, 2019

Place: Thimphu, Bhutan



## Appendix - I

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

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

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

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**EXHIBITS**

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Disabled Persons' Association of Bhutan  
 Statement of Receipts and Payments for the year ended December 31, 2018  
 Normisjion Project (Organization Development Project - DPAB)

Receipts	Schedule	Amount (Nu.)	Payments	Schedule	Amount (Nu.)
<b>To Opening Balance:</b>			<b>By Expenditure:</b>		
Cash on Hand			Expenditure	2	5,251,153
Cash at Bank		57,507			
<b>To Grants Received:</b>					
Normisjion	1	5,239,010			
<b>TOTAL</b>		<b>5,296,517</b>	<b>By Closing Balance:</b>		
			Cash on Hand		45,000
			Cash at Bank		364
			<b>TOTAL</b>		<b>5,296,517</b>



*Sonam Gyamtsho*  
 Sonam Gyamtsho  
 Executive Director

*Sonam Deki*  
 Sonam Deki  
 Finance Officer

Disabled Persons' Association of Bhutan  
 Bank Reconciliation Statement for the year ended December 31, 2018  
 Normisjion Project (Organization Development Project - DPAB)

Particulars	Amount (Nu.)
1. Closing Balance as per Bank Statement	364
2. Add: Deposit in Transit	-
3. Less: Cheque issued but not encashed	-
<b>Closing Balance as per DPAB records</b>	<b>364</b>

*Sonam Deki*

Sonam Deki  
Finance Officer



*Sonam Gyamtsho*

Sonam Gyamtsho  
Executive Director

**Schedule 1: Donation**

	<b>Amount (Nu.)</b>
Normisjon - 1st Instalment	1,146,566
Normisjon - 2nd Instalment	1,510,846
Normisjon - 3rd Instalment	1,688,539
Normisjon - 4th Instalment	893,059
	<u>5,239,010</u>

**Schedule 2: Expenditure**

	<b>Amount (Nu.)</b>
Expenses for Expatriates/Meetings	50,000
Payroll Expenses Local Staff	1,380,000
Local Audit	45,000
Consultant (Assessment within Bhutan)	177,922
Evaluation	198,000
Administration(utilities), Office Rent, Internet, etc.	411,960
Output 1-Strengthen and Capacity Building of DPAB	350,348
Output 2-Registration of Disabilities	775,050
Output 3-Support/Rehabilitation Services	1,454,000
Output 4- Enhance Awareness and Advocacy	314,555
Output 5-Strengthen Women's Empowerment	94,318
	<u>5,251,153</u>

**Notes to Accounts:**

1. These accounts have been prepared in accordance with the Financial Rules and Regulation of the Government of Bhutan 2016.
2. As a Civil Society Organization in Bhutan, DPAB uses cash-basis accounting. Income and expenditure are booked on the date of receipt and date of payment.
3. As the accounts are prepared on cash-basis, no credit purchases were made and no loans have been taken and hence, there are no pending liabilities.
4. Account balances of the prior year such as balance of fixed assets and current asset items are maintained separately.
5. Most of the fixed asset items including items received through donations are accounted for.
6. The financial year for DPAB ends on December 31 each year.
7. All the funds for the project are received from NORAD+ Normisjon, Norway. The office also receives donations from other individuals and institutions, however, they are not material.

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**ACHIEVEMENTS AND MANAGEMENT APPRAISAL  
LETTER**

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## PART I: ACHIEVEMENTS

- Sent one staff to attend ICT Training in an annual international event of Teruko Ikeda ICT Training Program held in Penang, Malaysia, on July 24, 2018.
- Education Support from primary level to university level for 47 students including 7 visually impaired children sponsored by the DPAB patron is being continued.
- Provided a short-term (5 months) training course on tailoring to 10 people with disabilities and caregivers of people with disabilities.
- DPAB sent two women, who are working in the field of disability to participate in Community Initiatives in Inclusion (CII) training course at Adapt (Able Disabled All People Together) in Mumbai, India.
- Three staff of DPAB participated in the 4th Regional Network Meeting for East Asia in Bangkok, Thailand from April 25-29, 2018.
- DPAB led the "Disability and Inclusion Awareness Program" in 4 districts namely, Chhukha, Punakha, Dagana and Paro in the month of December 2018 to create awareness on disability issues in Bhutan among the local leaders and village health workers.
- Observed the International Day for Persons with Disabilities at the Gelephu Lower Secondary School, which is one of the Special Education Needs (SEN) schools in Bhutan on December 3, 2018. The theme for the year was "Empowering persons with disabilities and ensuring inclusiveness and equality".
- Organized a day-long workshop and created awareness on the rights and needs of persons with disabilities in Bhutan to focal persons in 18 districts around Bhutan.



## **PART II: MANAGEMENT APPRAISAL LETTER**

### **1. Accounting Software**

#### *Auditor's Observation:*

DPAB has been using Tally ERP 9 for maintaining their records since 2017. However, the auditors observed that the subscription ended in 2017 and has not been renewed. Back up option is not offered for expired subscriptions, as such, DPAB does not have its accounting data backed up. Additionally, the accounting records within Tally cannot be exported to excel or pdf and a new accounting file has to be created manually every year thereby, increasing the potential to make errors.

Although DPAB maintains an offline record in Microsoft Excel, it was observed that the records did not reconcile with the data maintained in Tally.

We recommend switching to a licensed version of Tally or to another accounting software such as QuickBooks or Xero.

#### *Auditee's Response:*

We fully acknowledge the errors of the Tally System. We were unaware of the requirement for renewal of the system. As recommended, we shall switch to QuickBooks hereafter for transparency and efficiency purposes.

#### *Auditor's Further Comments:*

We encourage management's decision to switch to QuickBooks. QuickBooks will help the organization maintain better accounting records and offer more transparency for not just management but also the donor should they choose to have "view" access to the accounting files.

### **2. Fixed Assets Register with a depreciation schedule**

#### *Auditor's Observation:*

It was observed that the DPAB has been maintaining a fixed assets register but not keeping track of the depreciation.

We recommend the DPAB to maintain a fixed asset register along with the depreciation schedule to keep track of the net book value of the assets in the accounting period to get a better picture of what the fixed assets are worth at any given point in time.

*Auditee's Response:*

As recommended, we will maintain a proper fixed asset register with depreciation.

*Auditor's Further Comments:*

We urge the organization to ensure that the fixed asset records are updated on a regular basis.

APPENDICES

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## APPENDICES

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**A: PROFILE**

Disabled Persons' Association of Bhutan (DPAB) was founded by group of persons with disabilities and has been registered under the Civil Society Organization Authority (CSOA) since 2010 under the Royal Patron of His Royal Highness Prince Namgyel Wangchuck.

DPAB today, as the central organization between the Government and beneficiaries at large, is creating opportunities for persons with disabilities and at the same time lobbying with the government for support. Ever since its inception, DPAB's main task has been to educate the general populace about the rights of persons with disabilities (PWDs) and also to lobby with the government of the day for support to beneficiaries. Further, DPAB's major contribution has been in alleviating many of the persons with disabilities from poverty to dignity through skill-based programs and education.

**The Objectives of DPAB are to:**

- To raise awareness and advocate on the rights of persons with disabilities;
- To promote inclusion and effective participation of persons with disabilities in the community;
- To enhance the livelihood and independence of persons with disabilities in the society;
- To facilitate the empowerment and involvement of persons with disabilities in socio-political decision making; and
- To explore and strengthen the communication, coordination and collaboration with relevant organizations within and outside the country.

**B: OBJECTIVES OF AUDITING**

- i. To express an opinion as to whether the financial reports of Disabled Persons' Association of Bhutan for the period from January 1, 2018 to December 31, 2018, are prepared in accordance with the Financial Rules and Regulations of Bhutan 2016;
- ii. To determine whether the agency has been managing and utilizing its financial resources economically and efficiently;
- iii. To determine whether the agency has adequate and effective internal control system;
- iv. To determine whether the agency adhered to the terms per applicable rules and regulations; and
- v. To determine whether the taxes and levies have been accounted for appropriately.

**C: AUDIT METHODOLOGY**

- I. Review the financial reports and accompanying schedules prepared by the agency along with books of accounts;
- II. Review internal control systems put in place by the agency;
- III. Inspect and examine records, documents and statements provided by the agency;
- IV. Vouch expenditure bills/invoices and payments;
- V. Review compliance with applicable rules and regulations;
- VI. Seek relevant information from knowledgeable people inside and outside the agency; and
- VII. Check the arithmetical accuracy of the accounting records.

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