

Audited Project Financial Statements

Project Number: 44239–014

Grant Number: 0484

Period covered: 1 July 2019 to 30 June 2020

Bhutan: Air Transport Capacity Enhancement Project (Additional Financing)

Prepared by Department of Air Transport

For the Asian Development Bank

Date received by ADB: 21 June 2021

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the Department of Air Transport.



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

AIN: 17262

**FINANCIAL AUDIT REPORT OF THE
ASIAN DEVELOPMENT BANK [ADB] FUNDED "AIR
TRANSPORT CONNECTIVITY ENHANCEMENT PROJECT-
ADDITIONAL FINANCING (GRANT NO. 0484)"**

**IMPLEMENTED BY
THE DEPARTMENT OF AIR TRANSPORT,
MINISTRY OF INFORMATION AND COMMUNICATION,
THIMPHU**

PERIOD: 01/07/2019 TO 30/06/2020

May 2021

TITLE SHEET

1.	Title	:	Financial Audit Report of ADB funded "Air Transport Connectivity Enhancement Project- Additional Financing (Grant no. 0484)", implemented by the Department of Air Transport, Paro
2.	AIN	:	17262
3.	Head of the Agency	:	1. Dasho Phuntsho Tobgay, Secretary EID No. 8801033 CID No. 11410003866 (October 2019 to till date)
4.	Drawing and Disbursing Officer	:	1. Karma Wangchuk, Director General EID No: 9004059 CID No. 11410000540 (From 15 th July 2015 to till date) 2. Yogesh Sanyasi, Assistant Finance Officer EID No. 20170107794 CID No. 11807001644 (From 1 st January 2017 to till date)
5.	Finance Personnel	:	1. Yogesh Sanyasi, Assistant Finance Officer EID No. 20170107794 CID No. 11807001644 2. Sonam Wangdi, Accounts Assistant EID No. 9807015 CID No. 10712002061 (From 1 st September 2017 to till date)
6.	Period Audited	:	01/07/2019 to 30/06/2020
7.	Schedule of Audit	:	Start Date : 02/11/2020 End Date : 18/02/2021
8.	Composition of Teams	:	<u>Team Leader:</u> Tashi, Audit Officer EID No. 20130101140 <u>Team Members:</u> 1. Jamtsho, Audit Officer EID No. 20170107993 2. Dechen Lhendup, Auditor EID No. 2107125
9.	Supervising Officer	:	Kencho Dorji, Assistant Auditor General EID No. 2101195
10.	Overall Supervising Officer	:	Tashi Tobgay, Dy. Auditor General EID No. 9811012
11.	Engagement Letter No	:	RAA/DSA-SCID/04/2020-2021/1974 dated 02 November 2020
12.	Focal Person	:	Dechen Lhendup, Auditor
13.	Date of Exit Meeting	:	01/04/2021

Acronyms

AIN No.	:	Audit Information Number
ADB	:	Asian Development Bank
DoAT	:	Department of Air Transport
MoIC	:	Ministry of Information and Communication
ISSAI	:	International Standards of Supreme Audit Institution
RAA	:	Royal Audit Authority
MAR	:	Management Appraisal Report
ATR	:	Action Taken Report
EID	:	Employee Identity Card
CID	:	Citizen Identity Card
PLC	:	Project Letter of Credit Account
FOREX	:	Foreign Exchange
DPA	:	Department of Public Accounts
RMA	:	Royal Monetary Authority
USD	:	United States Dollar
CDB	:	Construction Development Board
MLTC	:	Ministerial Level Tender Committee
ARA	:	Audit Recoveries Accounts
CRM	:	Course Rubble Masonry
EOL	:	Expression of Interest
TA/DSA	:	Travelling Allowance/Daily Subsistence Allowance

**AUDITORS' REPORT ON THE FINANCIAL
STATEMENTS**



ཀུལ་གཞུང་ཕྱིས་ཞིབ་དབང་འཛིན།

ROYAL AUDIT AUTHORITY

Bhutan Integrity House

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



AUDITORS' REPORT ON FINANCIAL STATEMENTS OF THE ADB FUNDED – Air Transport Connectivity Enhancement Project-Additional Financing (Grant No. 0484) FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2020

Opinion

We have audited the accompanying financial statements of ADB funded project "Air Transport connectivity enhancement project-additional financing (Grant No. 0484) implemented by the DoAT, MoIC (PLC Account No.207.01/2005) which comprise the Receipts and Payments Statement and schedules forming part of financial statements for the financial year ended 30th June 2020.

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

Basis for Opinion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statement* section of our report. We are independent of Project, in accordance with RAA's Oath of Good Conduct, Ethics and Secrecy of Auditors, and we have fulfilled our responsibilities in accordance with the requirements outlined in this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for preparation of the financial statements in accordance with the Financial Rules and Regulations 2016 and Project Agreement and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

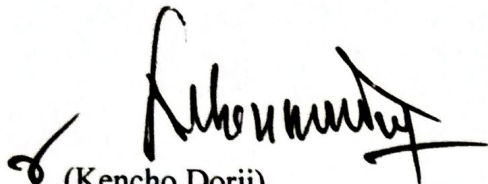
We communicate with the management, among others, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Other Requirements

We report that:

- ✍ The flow of funds from the Imprest Account and balance thereon could be fairly relied upon. The control mechanism put in place for the operation of the account could also be fairly relied upon;
- ✍ The Statement of Expenditure, Statement of Loans and Advances and Reconciliation Statement submitted could be fairly relied upon;
- ✍ The funds provided under (Grant No.:0484) have been utilized for the purpose for which they were provided;
- ✍ All expenditures incurred and reported are eligible for financing under the Grant Agreements;
- ✍ The FOREX conversation rate for fund transfer is recognized on the basis of exchange rate prevailing on the date of transfer of fund to Department of Public Accounts (DPA) from the Imprest Account maintained with Royal Monetary Authority (RMA) of Bhutan.

- ✍ The expenditure incurred in local currency have been converted to USD at the average exchange rate obtained by dividing the total fund transferred in local currency from the Imprest Account by the total equivalent USD debited in the Imprest Account maintained by the Royal Monetary Authority; and
- ✍ The overall reconciled fund balance of the Project as at 30th June 2021 stand at Nu.22,491,312.19, which is represented by US\$ 302,099.57 with RMA (Refer Notes to Account III Statement) and Nu. 20,338,429.65 (Refer Notes to Account II Statement).


(Kencho Dorji)
Assistant Auditor General
Date: 07/05/2021

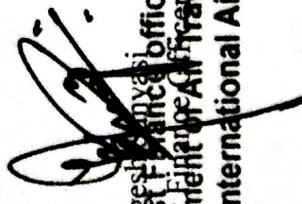


ENCLOSURES


Royal Government of Bhutan
Ministry of Information and Communications
Department of Air Transport
Air Transport Connectivity Enhancement Project
Funded by Asian Development Bank : Grant No: G0484-BHU
For the period 1st July 2019- 30th June 2020

Sources and Uses of Funds

Amount in BTN								
Sources	Note	During the current year	Cumulative beginning of the Project to end of current year	Applications	Category	Note	During the current year	Cumulative from beginning of the Project to end of current year
A:ADB Grant				Civil Works	3201	I	60,561,736.00	154,691,325.00
				Consulting Services	3201		560,151.00	11,182,359.00
				Laptop & Equipment	3201		-	1,244,500.00
				Bank charges	3201		-	50.00
Replenishment		86,881,310.34	182,229,888.99				61,121,887.00	167,118,234.00
ADB				Outstanding advance			8,420,719.00	31,572,996.00
Initial Imprest	II	9,052,602.75	51,349,010.52	Balance with DPA		II	20,338,429.65	22,111,057.81
				Imprest A/c Balance		III	22,491,312.99	43,732,978.11
Exchange Gain	III	16,438,435.55	30,956,366.41					
Subtotal								
Grand Total		112,372,348.64	264,535,265.92				112,372,348.64	264,535,265.92


Yagesh Chanyal
Asst Finance Officer
Department of Air Transport
Paro International Airport





(Karma Wangchuk)
Director General
Department of Air Transport
Paro : Bhutan

Royal Government of Bhutan
Ministry of Information and Communications
Department of Air Transport
Air Transport Connectivity Enhancement Project
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For the period 1st July 2019- 30th June 2020

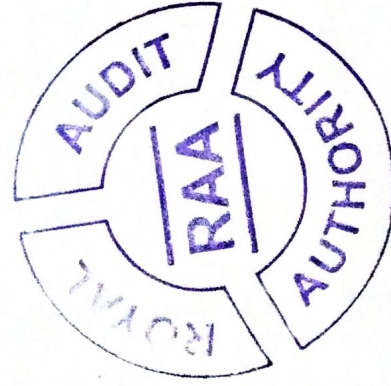
Statement of Budget Vs Actual (or Consolidated Annual Financial Statement)

Item No.	Budget Item	Total budget for the whole project (Amount in USD)	Actual Expenditure (Amount in BTN)	Budgeted amounts for the year based on projections* (Amount in BTN)	Reason for variance
Budget Head - Capital Expenditure					
i	Civil Works	3,459,135.52	154,691,325.00	320,725,785.25	Difference in the estimated cost and the actual quotation by the selected contractor
ii	Consultancy Service	185,776.05	11,182,359.00	21,192,208.00	
iii	Laptop & equipment		1,244,500.00	1,244,500.00	
iv	Bank Charges/other expenses	144.37	50.00	50.00	
	Sub Total	3,645,055.94	167,118,234.00	343,162,543.25	
Budget Head- Unallocated					
i	unallocated	354,944.06			
	Grand Total	4,000,000.00	167,118,234.00	343,162,543.25	


Assistant Manager
Department of Air Transport
Paro International Airport


(Karma Wangchuk)
Project Director
Department of Air Transport
Paro : Bhutan

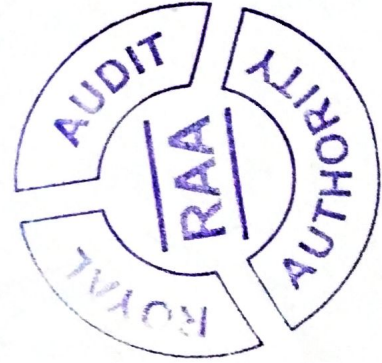
Notes:
* The amount is just projection of the estimated expenditure and may not be equal to the actual expenditure
** Budget has been included under Project Management but since, the expenditure is of capital nature the expenditure has been reflected here



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Notes to Account - I Category- wise Expenditures

Category	Line Item	Particular	During the current year (BTN)		Cumulative upto end of current year
			From Imprest Account	Direct Payment	
3201		Civil Works			
	i	Runway Reshaping and Removal of Hills, Runway Pavement, Access Road, Car Park, Apron Extension, Perimeter Fence at YDA	21,595,850.00		21,595,850.00
	ii	Construction of terminal building at Bumthang Domestic Airport	37,680,168.00		40,622,514.00
	iii	Construction of security quarter at Gelephu Domestic Airport	1,285,718.00		63,217,261.00
	iv	Procurement of laptop & equipment	-		1,244,500.00
	v	Bank charges	-		50.00
		Subtotal	60,561,736.00		126,680,175.00
		Consulting Service			
	vi	Local Currency Component	560,151.00		11,182,359.00
		Subtotal	560,151.00		11,182,359.00
		Grand Total	61,121,887.00	-	137,862,534.00



Yoges Sanja
Asst Finance Officer
Asst Finance Officer
Department of Air Transport
Paro International Airport

(Karma Wangchuk)
Director General
Department of Air Transport
Paro : Bhutan

Royal Government of Bhutan
Ministry of Information and Communications
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Air Transport Connectivity Enhancement Project
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For the period 1st July 2019- 30th June 2020

Notes to Account - II a- Details of Payment by ADB by Currency and Method of Funding

	Category	During the current year		Cumulative from inception of Project till end of current year	
		Equivalent BTN	USD	BTN	USD
<u>Replenishment</u>		86,881,310.34	1,211,664.73	182,229,888.99	1,408,031.72
Total		86,881,310.34	1,211,664.73	182,229,888.99	1,408,031.72
Imprest Account Initial Deposit		9,052,602.75	131,178.13	51,349,010.52	641,723.41
Diff between Disb and Liquidation		(25,759,423.34)	(377,462.02)	36,227,436.87	(197,707.20)
Sub Total of Imprest A/c		22,491,312.99	302,099.57	43,732,978.11	613,806.11
Grand Total		86,881,310.34	1,211,664.73	225,962,867.10	2,021,837.83

Yogeshwar Nyasi
Asst Finance Officer
Department of Air Transport
Paro International Airport



(Karma Wangchuk)
Director General
Department of Air Transport
Paro : Bhutan

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For the period 1st July 2019- 30th June 2020

Notes to Account III a - Reimbursable from ADB

S.N.	Particulars	Equivalent BTN	US\$
A	Outstanding Replenishments as of [previous year]	-	-
B	Add:		
	Disbursements during the year	61,121,887.00	834,202.71
C	Less:		
	Replenishment during the year	86,881,310.34	1,211,664.73
	Total C	86,881,310.34	1,211,664.73
	Total B	61,121,887.00	834,202.71
D	Liquidation/ Recovery of Initial Balance	-	0
	Total D	-	0
E	Outstanding Replenishment as of [30/06/2020]	(25,759,423.34)	(377,462.02)



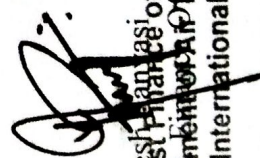
Yogesh Kumbhakar
Asst. Financial Officer
Department of Air Transport
Paro International Airport

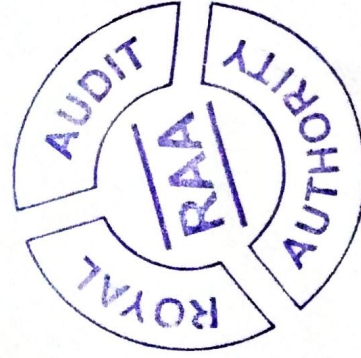
(Karna Wangchuk)
Director General
Department of Air Transport
Paro : Bhutan

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Air Transport Connectivity Enhancement Project
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Notes to Account III - Statement of Imprest Account

S.N.	Particulars	Equivalent BTN ('000)	US\$
A	Opening Balance of Imprest Account	9,052,602.75	131,178.13
B	Less: Disbursements		
	- Expenditure	61,121,887.00	834,202.71
	- Outstanding advances	8,420,719.00	118,685.26
	- Balance with DPA as on 30/06/2020	20,338,429.65	273,182.40
C	Add: (a) Replenishment	12,050,933.00	174,625.89
	(b) Replenishment(Advance)	28,776,999.40	394,475.66
	(c) Replenishment	28,655,104.00	407,863.68
	(d) Replenishment	17,398,273.94	234,699.50
A-B+C = D	Closing Balance of Imprest Account (without Exchange Diff)	6,052,877.44	(252,608.29)
E= F - D	Add/Less: Exchange Difference (balancing figure)	16,438,435.55	554,707.86
F	Closing Balance of Imprest Account (@ 74.45)	22,491,312.99	302,099.57


Yagdes Palan Prasanna
Asst Finance Officer
Department of Air Transport
Paro International Airport




(Karma Wangchuk)
Director General
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Department of Air Transport
Air Transport Connectivity Enhancement Project
Funded by Asian Development Bank : Grant No: G0484-BHU
For the period 1st July 2019- 30th June 2020
NOTES IV TO THE FINANCIAL STATEMENTS - Accounting policies and explanatory notes

I. Project Nature and Activities

1.1 The objective of the project is the improved safety, security and capacity at three domestic airports in Bumthang, Gelephu and Yonphula. The project comprises :

- (a) Construction of new terminal building at Bumthang Domestic Airport.
- (b) Construction of security quarter at Gelephu Domestic Airport.
- (c) removal of small hills beside runways, a general service vehicle, runway stripe drainage and runway slope correction in Yonphula.
- (d) consulting service to undertake the listed activities

The project commencement date is 5th August 2017 and expected completion date is 5th August 2019. The Department of Air Transport under the Ministry of Information and Communications, Royal Government of Bhutan, Bhutan is the Executing Agency and the Ministry of Finance, Royal Government of Bhutan, Thimphu, Bhutan is the representative as set out in the Grant Agreement dated 29th September 2016.

1.2 Give legislative framework

The execution of the project shall be in line with the contents under the schedule 4 of the Grant Agreement. The execution of the project shall comply with all the rules and regulations relating to environment, health, safety, labor standards, governance and ADB anticorruption policies

The project shall not have any Indigenous Peoples Safeguards and Involuntary Resettlement Safeguards impacts and no proceeds of the Grants shall be used to finance any activity in the list of prohibited investment activities.



2. STATEMENT OF COMPLIANCE

Project Financial Statements have been prepared in accordance with FINANCIAL RULES AND REGULATIONS 2016, of the Royal Government of Bhutan and the Statement of audit as required by the Asian Development Bank under the Grant No. 0484-BHU dated 29th September 2016

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of measurement

The project has maintained accounts according to the Financial Rules and Regulations 2016, of the Royal Government of Bhutan on a cash basis of accounting and double entry accounting systems.

3.2 Fund Flow mechanism

A First Generation Imprest Account has been established with the Central Bank, Royal Monetary Authority and a Second Generation Imprest Account for DoAT has been established at the Bank of Bhutan.

All replenishment/ direct payment requests to the ADB shall be processed through the Department of Public Accounts, Ministry of Finance, Royal Government of Bhutan who is the representative of the DoAT. The DoAT shall make all disbursement from the Second Generation Imprest Account (Project Letter of Credit Account) maintained with the Bank of Bhutan. Release of fund to make disbursement shall be processed through the Department of Public Accounts (Authorised signatory for the grant proceeds)

3.3 Advances and other receivables

Advances are not treated as expenditure. Partial advances have been liquidated as of 30th June 2020 & there is still balance to be recovered amounting to **Nu. 8,420,719.00**

3.4 Cash and cash equivalents

Only imprest account is maintained in US\$

3.5 Accrued and other liabilities

There are no liabilities as of 30th June 2020

3.6 Income

i) All types of income (if any) is deposited into the Royal Government Revenue Account and thus the executing agency has no

rights to withhold any type of income

- iii) Free of cost office space, and certain other services provided by Royal Government of Bhutan are not valued and accordingly, are not recognized in these financial statements as income of the Project.

3.7 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the financial statements of the Project are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Bhutanese Ngultrum (BTN).

(b) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure account.

3.8 Allocation of Common Costs

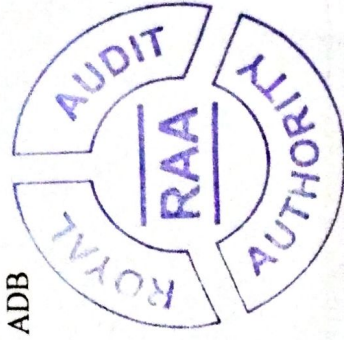
Describe how common costs are allocated to different output/ activities

Common cost if any, shall be equally divided among the activities and reflect as expenditure under the individual activities.

4. Funds Received from the Government

100% fund for the project has been provided by the ADB as grant to DoAT. The DoAT proposes budget every financial year in line with the provision of the ADB Grant and the projection is for one financial year. The financial year starts from 1st July and ends on the 30th June every year. The replenishment and reimbursement is processed by DoAT everytime when the expenditure exceeds or equals USD \$ 100,000 (combining of more than one expenditure heads). The DoAT forwards the SOEs along with supporting documents (if any/as required) to the Department of Public Accounts, who in turn forwards the request to the ADB

5. Funds from ADB



Funds from the ADB has been approved or agreed as per Grant Agreement No 0484 BHU Dated 29th September 2016 under the endorsement of the Minister, Ministry of Finance, Royal Government of Bhutan and Director General ,South Asia Department, Asian Development Bank

5.1 Grant

Amount of USD \$ 4,000,000 has been sanctioned by the ADB as additional Grant for the Air Transport Connectivity Enhancement Project

6. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the _____
of _____ on

Royal Government of Bhutan
Ministry of Information and Communications
Department of Air Transport
Air Transport Connectivity Enhancement Project
Funded by Asian Development Bank : Grant No: G0484-BHU
For the period 1st July 2019- 30th June 2020

Notes to Account V - Statement of fund balance reconciliation with DPA

S.N.	Particulars	Equivalent BTN ('000)
A	Total Fund Received from Department of Public Accounts	71,574,936.00
B	Total Expenditure as of 30 June 2019	61,121,887.00
C	Total outstanding for current year	-
D	Prior year advance adjusted	4,735,485.00
E	E= B+C-E	56,386,402.00

Yogesh Sanyasi
Asst. Finance Officer
Department of Air Transport
Paro International Airport

(Karima Wangchuk)
Director General
Department of Air Transport
Paro : Bhutan

