

**Education Sector Advisory Team (ESAT)**  
**Education for All (EFA)**  
**Draft Audit Findings**  
16<sup>th</sup> July 2008 – 15<sup>th</sup> July 2009

**1. Activity Area Status report not submitted by Implementing Partners**

**Observation**

As per Annexure 1 Para 3.3 of Danida Direct Funding (DDF) manual 2007, responsible officers should submit Activity Area Status report on a quarterly basis to ESAT quantifying the financial progress and physical progress. However, in the following cases the physical progress reports were not submitted by the responsible officers to the ESAT even though financial progress reports were submitted:

S.N.	Particulars	Implementing Partner	Activity code	Amount spent 2008-09 (Till 15 <sup>th</sup> July 09)
1.	Empowering PTA and SMC to perform social audit	DOE	1.2.7	11,760,743
2.	Definition of Quality education	DOE	1.6.1	316,329

**Risk**

Non-compliance of Danida Direct Funding Manual. Also, financial progress cannot be corroborated with physical progress.

**Recommendation**

Activity Area Status report quantifying both financial progress and physical progress should be submitted on a quarterly basis to ESAT.

**Management Comment**

**2. Consultancy Service not completed within time frame as per agreement**

**Observation**

ESAT had entered into an agreement with Total Management Services to Facilitate School Mapping Exercises and Reporting in Rasuwa, Dadeldhura and Kapilvastu District. The original contract duration was from 05.02.2008 to 30.06.2008. Later, the contract was extended till 31.12.2008 and further till 15.07.2009. However, the consultancy work was not completed even within the date of final extension.

The consultant has already been paid Rs. 801,445 (70% of contract price including 30% on signing of contract and 40% on completion of work up to November 2008) and Rs.51,709 (field visit expenses) till 15<sup>th</sup> July on 28-02-2008.

**Risk**

Non-compliance of the terms of agreement impairs effectiveness of implementation the consultancy.

**Recommendation**

The consultant must be asked for explanation for non-completion of assignment within extended time frame. If non-completion is due to fault of the consultant, it must be asked to refund money paid.

**Management Comment**

**3. Advances not timely settled**

**Observation**

As per Clause 2.3.1 of DDF Supplementary Manual 2007, imprest holder must carry out regular settlement of imprest amount within 15 days from the date when the fund is depleted or the activity is over. Further, Steering Committee (SC), on its meeting convened on 17<sup>th</sup> December 2008, decided that the implementing partners whose advance has been outstanding since FY 2007/08 must settle the same within 31<sup>st</sup> December 2008 or should refund the amount. However we noted that some advances given to implementing partners in FY 2007/08 is still outstanding as at 15th July 2009. The advances, in respect of which, SC made decision, has neither been settled nor refunded to ESAT.

Output	Implementing Partner	Particulars	Amount unsettled as at 15.07.2009	Age of Advance
1.2.6.7	DOE	Orientation on Child Tracking	672,866	More than a year
1.2.4.3	DOE	Number of software developed and installed	647,788	More than three months
1.2.7.1	DOE	Number of guidelines updated	729,023	
1.2.7.2	DOE	Number of schools where PTA/SMC members oriented	4,437,915	
1.4.1.7	NFEC	Number of monitoring visit and reports	2,706	
1.4.2.4	NFEC	Number of consolidated VEP formulated	1,215,391	
1.4.2.2	NFEC	Number of supplementary training manuals developed	235,000	
1.4.2.7	NFEC	Number of monitoring visit carried out and report prepared	350,000	

**Risk**

Non compliance of DDF manual and SC decision.

**Recommendation**

The line agencies should follow the decisions made by steering committee and settle the advances taken by them as per DDF manual.

## Management Comment

### 4. Expenses on construction of model school booked under orientation and training program cost

#### Observation

It was noted that an amount of Rs.302,401 paid to “Addyatmik Sanskrit Primary School” for construction of model school of multi grade teaching has been booked under output code “**1.3.2.6 No. of people (25 teachers, 2-3 RPs and 2-3 DOE staff), oriented and trained in developing Multi-grade teaching materials both in Nepal and in Rishi Valley Education Centre, Andra Pradesh, India**”. Since the expense is for construction of model school of Multi Grade Teaching rather than orientation and training, it should be disclosed as separate output. (Refer voucher 183, Dated 25-06-2009)

#### Risk

Output achieved may not be properly disclosed

#### Recommendation

It is recommended to create a separate output code with necessary approval for separate presentation and disclosure of such output.

## Management Comment

### 5. Procurement of service/goods without inviting Quotations

#### Observation

As per Clause 2.7.1 of DDF Supplementary Manual 2007, procurement in excess of Rs.50,000 upto Rs.2,000,000 should be made by inviting at least three quotations from suppliers who is registered with VAT. However, in following cases, quotations have not been invited.

Vendor	Activity	Procurement Amount (NPR)	Reference
Hotel Taj	1.2.6.10 Orientation of DEO & RED about new education – Nepalgunj	435,300 (2 invoices)	Vr 485 (31-12-2008)
Sagun Tent House	1.2.6.10 Orientation of DEO & RED about new education – Chitwan	554,400	Vr 485 (31-12-2008)
Om Tent House	1.2.6.10 Orientation of DEO & RED about new education – Biratnagar	207,580	Vr 485 (31-12-2008)
R.S. Chamena Griha	1.2.6 SSR documentation	175,500	Vr 132 (29-04-2009)
R.S. Chamena Griha	1.2.7 Empowering PTA	166,140	Vr 120 (08-04-2009)

Further, invoices issued by the vendors above are not VAT bill.

#### Risk

Non compliance of DDF manual and advantages of competitive pricing can not be enjoyed.

**Recommendation**

DDF manual should be complied with to take the advantages of competitive pricing.

**Management Comment**

**6. Tax not with held**

**Observation**

As per section 89 of the Income Tax Act, 2058, tax @ 15% shall be withheld by the withholding agent while making payment for the services. However, instances were noted where tax has not been with withheld. Given below are some of the instances.

Particulars	Activity	Amount paid (NPR)	Tax to be withheld (@ 15%) (NPR)	Reference Voucher
Payment made for computer typing and data entry to Sewa computer center	1.4.2.4	94,145	14,121	187 (30-06-2009)

**Risk**

Non compliance of Income Tax Act, 2058 may cause the penalties

**Recommendation**

Income Tax Act, 2058 should be fully complied with.

**Management Comment**

**7. No Financial Progress in some activities**

**Observation**

We observed that the there were low financial as well as physical progress in some activities since the budget of such activities has not been utilized by the implementing partners till 15<sup>th</sup> July 2009. Following are the details:

Activity	Particulars	Budget (NPR)	Actual expenditure (NPR)	Utilization (%)
1.2.4	Improvement of physical progress reporting used for Financial Management Report (FMR)	690,788	-	0.00%
1.2.3	Development of School Mapping Capacity	1,353,965	739,474	54.62%
1.2.5	Increasing the use and reliability of EMIS data	3,750,000	847,664	22.60%
1.4.2	Formulation of Village Education Plans (VEP)	6,245,000	3,196,085	51.18%

1.5.1	Development of Code of Conduct for gender policy implementation	300,000	101,277	33.76%
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**Risk**

Non utilization of the budget for the completion of activities affecting the achievement of the overall objective and target of the program

**Recommendation**

Implementing partners should be asked to utilize the budget allocated under all activities to achieve the overall target.

**Management Comment**

**8. Budget vs. Actual**

**Observation**

As per Clause 3.6.1 of DDF manual 2007, changes above 10% of an output's overall budget will always have to be approved by the Steering Committee. However, in the following cases expenses have been incurred in excess of 110% of the budgeted amount without obtaining approval of steering committee:

Activity	Particulars	Budget (Rs)	Actual expense (Rs)	Variance (%)
1.7.5.2	Vehicle fuel and lubricant	150,000	214,774	43.18%
1.3.1.08	No of trainer's training conducted and TG updated (60 persons)	150,000	173,620	15.75%
1.3.2.06	No. of people oriented and trained in developing Multi-grade teaching materials	5,000,000	6,745,197	34.90%
1.7.9.01	Procurement of office equipment	300,000	1,726,655	475.55%

**Risk**

It impairs the effectiveness of budgetary control system.

**Recommendation**

Prior approval of Steering committee should be obtained when expenditure is estimated to exceed the limit.

**Management Comment**