

**Education Sector Advisory Team (ESAT)**  
**Secondary Education Support Program (SESP)**  
**Draft Audit Findings**  
16<sup>th</sup> July 2008 – 15<sup>th</sup> July 2009

**1. Program that meets EFA objective budgeted from SESP fund**

**Observation**

As per the annexure 1 of DDF manual 2007, Terms of reference of Direct Fund steering committee, steering committee can approve annual plans and budget within the framework of the programme document, government to government agreement and other relevant documents. However, It was noted that a total amount of Rs.3,322,500 for activity “2.4.26 Print and distribution of primary curriculum of grade 4 & 5” was allocated from SESP fund by steering committee on 8<sup>th</sup> June 2009. The activity area proposal sheet submitted by Curriculum development Center clearly states that the origin of this activity is “EFA core document” and the activity meets the objective of EFA programme. As per article 2 of government to government agreement on “Secondary Education Support Programme (SESP)”, the overall development objective of the SESP is to expand quality secondary education suitable for the need of national development.

**Risk**

Allocation of SESP budget for EFA activity may lead to inadequate fund for SESP activities.

**Recommendation**

Annual plans and budget should be approved within the framework of the programme document, government to government agreement and other relevant documents.

**Management Comment**

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

**Observation**

As per Annexure 1, Para 3.3 of 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.	Strengthening of the MOES ICT capacity	MOE	2.4.2	5,189,402
2.	National School Health and Nutrition Strategy	DOE	2.4.17	243,500

**Risk**

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

**Recommendation**

The implementing agencies should be asked to provide detail on timely basis.

**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. However we noted that some advances given to implementing partners are outstanding for more than 3 months.

Output	Implementing Partner	Particulars	Amount unsettled as at 15.07.2009
2.2.2.3	CDC	Distribution of specification grid	2,244
2.2.2.4	CDC	Number of information campaign completed	18,228
2.4.23.2	CDC	Number of visualization & telecast made of CDC	59,580

**Risk**

Non compliance of DDF manual and this indicates the weak financial management and performance.

**Recommendation**

The line agencies should follow the DDF manual.

**Management Comment**

**4. 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 before making procurements.

Vendor	Activity	Procurement Amount (NPR)	Reference voucher
Hotel Annapurna	2.4.12.10 Workshop in SSR mission	210,260	Vr 266 (16-12-2008)

**Risk**

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

**Recommendation**

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

### Management Comment

## 5. Survey work not completed within time frame as per agreement

### Observation

ESAT had entered into an agreement with Development Management Institute (DMI) Pvt. Ltd. To conduct survey for activity 2.4.17 “*Survey on health and Nutrition Status of Students*’. The original contract duration was from 20.03.2009 to 30.06.2009. However, the survey work is not completed till the date of our audit. Further, the agreement has also not been extended.

The agreement was for Rs. 841,850 (inclusive of VAT). The consultant has already been paid Rs.252,555 on 28.05.2009 (30 % of contract price as first installment on submission of inception report).

### Risk

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

### Recommendation

Terms of contract should be adhered to by both the parties. In case the work is not completed as of date, the contract should be further extended or payments already made should be recovered and penalty should be charged to the consultant as per the terms of the contract.

### Management Comment

## 6. Computer and equipments procured not put to use

### Observation

It was observed that some computers and equipments procured from Danida Direct Fund have not been put to use till date. In some cases, where these goods are put to used, they have not been used as mentioned in the activity of Annual Work Plan & Budget (AWP & B). Following are some of the instances:

Activity	Particulars	Date of procurement	Used units	Unused units	Remarks
2.4.2	2 units of Attendance System procured for MOE/ICT	15-03-2009	No units	2 units	Equipment unused
2.4.2	11 units of computers procured for MOE/ICT	09-02-2009	5 units	6 units	Units used are used in the ICT section itself instead of using in the <i>computer training lab</i> as mentioned in Annual Work Plan & Budget (AWP & B)
2.4.20	10 units of computers	05-05-2009	10 units	No units	Out of the 10 computers only 9 are used by scholarship section,

	procured for Scholarship section				one is used in other section of MOE
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**Risk**

Objective for which goods were procured may not be achieved.

**Recommendation**

Goods procured should be used as per Annual Work Plan

**Management Comment**

**7. Stock entry of goods procured not received**

**Observation**

It was noted that stock ledger showing the record and details of goods which are procured by ESAT from direct fund under activity “2.4.2 Strengthening of the MOES ICT capacity” and delivered to responsible implementing partner MOE were not received from MOE in the following cases:

Particulars	Quantity	Amount (Rs)
Dell computer	11 sets	521,400
Laser Printer	1 set	28,300
500 GB Portable hard disk	1 pcs	18,800
2 KVA UPS	1 Unit	149,446
Batteries	4 pcs	40,800
Attendance system	2 units	88,000
CCTV set (Camera, DVR, TV & accessories)	1 set	85,852
Wireless Router	4 units	14,000
6 U Network rack	3 units	43,500
<b>Total amount</b>		990,098

**Risk**

Control over goods procured may be weakened

**Recommendation**

Stock ledger showing details of goods should be received for ESAT record and control purpose.

**Management Comment**

**8. Late stock entry of goods procured**

**Observation**

It was noted that the goods procured and delivered to responsible implementing partners were entered in stock ledger long after the receipt of goods. Following are the noted cases:

Particulars	Amount (Rs)	Delivery date	Stock entry date	Reference Voucher
Procurement of 15 computers for Office of Controller of Examination	798,245	15-06-2009	26-06-2009	147 (30-06-2009)
Furniture procured for scholarship building and canteen	1,714,549	19-02-2009	30-03-2009	57 (26-03-2009)

**Risk**

Possibility of loss of goods and goods may be wrongly recorded if booked long after procurement.

**Recommendation**

All goods procured should be inspected and recorded at stock ledger promptly at the time of receipt.

**Management Comment**

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

**Observation**

We observed that 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 (%)
2.1.1	Construction of prototype Environment and Child Friendly School	3,200,000	-	0.00%
2.2.3	Education for work research	1,924,950	-	0.00%
2.4.27	Water-proofing and Leakage Prevention of MOE Roof Area, Phase II	925,000	-	0.00%
2.4.3	Preparation of Capacity Development Plan	1,924,332	75,668	3.93%
2.4.28	Furbishment of School Teacher Record Office	1,968,090	260,677	13.25%
2.4.17	National School Health and Nutrition Strategy	1,700,000	243,500	14.32%
2.4.22	Software development and Decentralization of OCE's pre- and post SLC examination activities	4,000,000	1,191,434	29.79%
2.4.8	Strengthening of Education Sector Policy & Legal Framework	4,874,500	1,619,917	33.23%
2.4.13	Support to MOES Masters Studies (6 candidates @ NRS 220,000 pr candidate) (Spill-over activity)	1,110,000	425,860	38.37%
2.4.10	Support to activities in ASIP	9,088,161	3,523,465	38.77%

2.4.1	Implementation of NCED Capacity Development Plan	33,128,800	15,137,639	45.69%
2.4.7	Institutional Capacity Building of NFEC	9,471,967	4,553,609	48.07%
2.4.25	Strengthening of compliance monitoring through enhanced inspection in both public and private schools	1,000,000	481,836	48.18%

**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**

**10. 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 (%)
2.4.7.16	Number of training manual developed for action research	20,000	24,375	21.88%
2.4.1.07	No of master trainers attended co-branded course (Master trainers trained)	1,876,800	2,421,219	29.01%

**Risk**

It impairs the effectiveness of budgetary control system.

**Recommendation**

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

**Management Comment**