

## TRANSMITTAL LETTER

18 June, 2017

The Chairperson,  
PHASE-Nepal  
Kathmandu, Nepal

Dear Sir,

We are pleased to submit our report on the results on financial audit of "PHASE Nepal Teacher Training Programme" for the period from 01 December 2014 to 31 May 2017.

### Background

PHASE Austria is a non-profit organization supporting sustainable development in rural Nepal through PHASE Nepal. PHASE Austria support health and Education Programme in various districts. Programmes include teacher training in Far West of Nepal, diarrhea mitigation, alternative education in Gorkha, school access programme in Humla. PHASE Austria also provided funds to PHASE Nepal for earthquake-relief and rehabilitation. PHASE Austria co-funds several of its projects with the City of Vienna.

### Audit Objectives and Scope of work

Aryal&Aryal, Chartered Accountants was appointed auditor of "PHASE Nepal Teacher Training programme" for the Project ended on 31May, 2017 to carry out an audit.

The overall objective of the audit is to enable the fund providers to determine whether the funds were used in accordance with the agreements entered into between the PHASE Austria and PHASE Nepal, specifically that:

- The Fund Accountability Statement of funding received and transactions made accurately reflects the operations of **PHASE Nepal Teacher Training Programme**.
- Give an opinion as to whether the Fund Accountability Statement presents, in all material respects, a true and fair view of the amount received, costs incurred and in conformity with stipulated funding agreements.

In arriving at the opinion, Aryal&Aryal, Chartered Accountants performed the following procedures as per the Terms of Reference:

- Verified sound financial management and accuracy of book keeping on the basis of original vouchers.

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- Verified stamping of original vouchers.
- Verified plausibility of expense items.
- Verified compliance of expenses with budget items
- Verified compliance of the project with contractual provisions.
- Verified that the financial statements provide a true picture of the project's finances
- Examined on a test basis, the existence of valid third party supporting documents relating to reported expenditure.
- Verified PHASE Nepal's financial policies and procedures for compliance.

#### **Audit of the Fund Accountability Statement**

- Reviewed the expenses incurred in the execution of the programme activities to ensure that they are in line with the Project's major activities as specified in the Funding Agreements.
- Conducted physical checks and reviews of the selected accounts.
- Verified the Program's expenditures for the period against the approved budget, and
- Determined that the budget accounts description to which expenditures were posted are appropriate.

#### **Internal Controls**

- Obtained an understanding of the internal control environment, and assessed the design and adequacy of the accounting systems and control procedures, applicable to administration and implementation of the activities of the program, and
- Tested the operating effectiveness of the identified controls and assessed control risk, which is the effectiveness of the entity's internal control structure policies and procedures in preventing or detecting material misstatements in the Fund Accountability Statement.

#### **Compliance with agreement terms, applicable laws and regulations**

- Determined if Phase Nepal complied with the reporting requirement of the Funding.
- Identified the agreement terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the Fund Accountability Statement, and assessed whether Phase Nepal complied with the principles on procurement together with its financial rules and regulations as specified in the Funding.

#### **Audit Methodology**

The audit methodology principally comprised:

- a) Audit of the Fund Accountability Statements of the Project.
  - Reconciled the Consolidated Fund Accountability Statement to the underlying records, principally the budget and expenditure reports; and
  - Documented findings, observation and recommendations.



- b) Review of budget and expenditure reports:
- Agreed cash receipts to supporting documents
  - Agreed expenditure to supporting documents on a sample basis
  - Reviewed the reconciliation of budget to expenditure ensuring excess or under budgeted expenditure is properly identified; and
  - Documented findings, observations and recommendations.
- c) Evaluation of adequacy and effectiveness of the internal control structure:
- We performed a review of the internal control structure of partners; and
  - Documented findings, observations and recommendations.
- d) Steps to provide reasonable assurance for detecting material errors, irregularities and illegal acts;
- Considered the audit risks as may be apparent from any weaknesses in the internal control structure, our assessment of management's attitude and our exercise of professional judgment regarding perceived audit risks
  - Focused on specific areas that we considered to be high risk;
  - Reviewed programme activities for any instances of non-compliance with laws and regulations, provisions of the agreement and other relevant directives; and

#### Limitation and Responsibility

Because of the test nature and other inherent limitation of an audit, together with the inherent limitation of any accounting and internal control system, there is a possibility that some material misstatement of the financial information including those resulting from fraud and error, if there exists, may remain undiscovered.

The Preparation and fair presentation of the Financial Statements are the responsibility of the Management of the PHASE Nepal and our responsibility is to express an opinion on the Financial Statement based on our audit. Our audit does not in any way diminish or reduce responsibilities of the management. The management is responsible for properly recording transactions in accounting records, establishing and maintaining internal control for safe-guarding of assets and selection and application of the accounting policies sufficient to permit the preparation of financial statements and information in conformity with the generally accepted accounting principles applicable to Project.

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### Audit Result

Our independent auditor's report expressing our opinion on the financial statements has been issued separately.

### Acknowledgement

We would like to record our appreciation for the cooperation extended by all the concerned officials during the course of our audit.

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CA Sudhan Regmi

Aryal&Aryal, Chartered Accountants

Date:18 June, 2017

Place: Kathmandu, Nepal

**INDEPENDENT AUDITORS REPORT**

The Chairperson,  
PHASE-Nepal  
Kathmandu, Nepal

**Introduction**

We have audited the accompanying Fund Accountability Statement (FAS) and schedules thereto for the period from 01 December 2014 to 31 May, 2017 of "PHASE Nepal Teacher Training Programme". These financial statements are the responsibility of Phase Nepal's management. Our responsibility is to express an opinion on these financial statements based on our audit.

**Scope**

We conducted our audit in accordance with the Nepal Standards on Auditing (NSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion, the financial statements read along with the Schedules attached thereto give a true and fair view of the fund received and expenditures incurred for the period from 01 December 2014 to 31 May, 2017 in accordance with generally accepted accounting principles as applicable.


CA Sudhan Regmi  
Aryal&Aryal, Chartered Accountants  
Date: 18 June, 2017  
Place: Kathmandu, Nepal

Practical Help Achieving Self Empowerment (PHASE Nepal)  
Dadhikot, Bhaktapur

"PHASE Nepal Teacher Training Programme"

Statement of Fund Accountability  
for the period from 01 December, 2014 to 31 May, 2017

Amount in NRs.

| Particulars                                | Amount in NRs. |                  |
|--|----------------|------------------|
|  | Schedule       | Amount           |
| <b>Fund Received</b>                       |                |                  |
| - from PHASE Austria (EUR 20,000)          | 1              | 2,199,800        |
| - from PHASE Austria (EUR 5,000)           |                | 549,950          |
| - from PHASE NTTI (EUR 12,300)             |                | 1,352,910        |
| <b>Total Fund received</b>                 |                | <b>4,102,660</b> |
| <b>Expenses</b>                            |                |                  |
| - Personnel Cost                           | 2              | 2,245,293        |
| - Material cost                            |                | 91,943           |
| - Travel expenses                          |                | 155,635          |
| - Training Cost                            |                | 1,212,232        |
| - Other costs                              |                | 185,255          |
| - Indirect project cost                    |                | -                |
| <b>Total Expenditure</b>                   |                | <b>3,890,358</b> |
| <b>Closing Fund Balance</b>                |                | <b>212,302</b>   |
| <b>Closing Fund Balance represented by</b> |                |                  |
| Cash & Bank balance                        | 3              | 212,302          |
| Other Payable                              |                | -                |
| <b>Total</b>                               |                | <b>212,302</b>   |

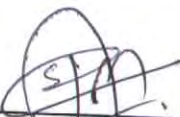
Significant accounting policies & notes to accounts

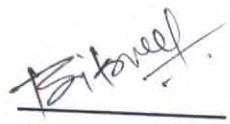
Schedules 1 to 4 forms integral part of this Fund Accountability Statement


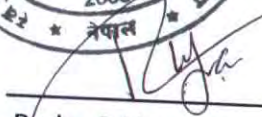
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For Project

As per our report of even date

  
Sunil Sapkota  
Finance Manager

  
Bikash Koirala  
Act. Project Manager

  
  
Rudra B Neupane  
Program Manager

  
CA. Sudhan Regmi  
Aryal & Aryal  
Chartered Accountants

Practical Help Achieving Self Empowerment (PHASE Nepal)

Dadhikot, Bhaktapur

"PHASE Nepal Teacher Training Programme"

Schedules forming part of Fund Accountability Statement

Amount in NRs.

Revenue

Schedule :1

| Particulars                       | Amount           |
|-----------------------------------|------------------|
| <b>Fund Received</b>              |                  |
| - from PHASE Austria (EUR 20,000) | 2,199,800        |
| - from PHASE Austria (EUR 5,000)  | 549,950          |
| - from PHASE NTTI (EUR 12,300)    | 1,352,910        |
| <b>Sub Total</b>                  | <b>4,102,660</b> |

Expenditures

Schedule :2

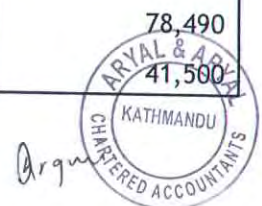
| Particulars  | Amount           |
|--|------------------|
| <b>Personnel Cost</b>  |                  |
| Senior Trainer   | 989,408          |
| Trainer  | 1,045,057        |
| Local Trainer  | 210,828          |
| <b>Sub Total</b>   | <b>2,245,293</b> |
| <b>Material cost</b>   |                  |
| Office supplies and printing                                       | 47,305           |
| Telephone and internet   | 44,638           |
| <b>Sub Total</b>   | <b>91,943</b>    |
| <b>Travel expenses</b>   |                  |
| Travel cost  | 155,635          |
| <b>Sub Total</b>   | <b>155,635</b>   |
| <b>Training costs (for local project staff and target group/s)</b> |                  |
| Awareness level training (5 trainings)                             | 671,479          |
| Mentorship training for selected teachers (5 trainings)            | 130,675          |
| Follow-up awareness level training                                 | 2,400            |
| <b>Mentoring and reporting</b>                                     |                  |
| Travel cost to district education office and to the field          | 78,490           |
| DA for field trip  | 41,500           |

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|---|------------------|
| <b>Additional Training Expenes</b>                      |                  |
| Awareness level training (2 trainings)                  | 172,370          |
| Mentorship training for selected teachers (2 trainings) | 36,430           |
| Follow-up awareness level training                      | 15,400           |
| Mentoring and reporting                                 | 63,488           |
| <b>Sub Total</b>  | <b>1,212,232</b> |
| <b>Total Cost</b>                                       | <b>3,705,103</b> |
| Indirect project cost                                   | 185,255          |
| <b>Sub Total</b>  | <b>185,255</b>   |
| <b>Total</b>  | <b>3,890,358</b> |

**Closing Balance**

Schedule :3

| Particulars         | Amount         |
|---------------------|----------------|
| Cash & Bank balance | 212,302        |
| Other Payable       | -              |
| <b>Sub Total</b>    | <b>212,302</b> |

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**Schedule- 4 Significant Accounting Policies and Notes to Fund Accountability Statement**  
For the period from 01 December 2014 to 31 May 2017.

**Overview**

PHASE Austria is a non-profit organization supporting sustainable development in rural Nepal through PHASE Nepal. PHASE Austria support health and Education Programme in various districts. Programmes include teacher training in Far West of Nepal, diarrhea mitigation, alternative education in Gorkha, school access programme in Humla. PHASE Austria also provided funds to PHASE Nepal for earthquake-relief and rehabilitation. PHASE Austria co-funds several of its projects with the City of Vienna.

PHASE Nepal is a non-governmental entity registered in Kathmandu, Nepal as per the rules and regulations of Nepal Government. PHASE Nepal agrees to adhere to the common principles of serving to Nepalese people from backward region.

The Project funded and supported by PHASE Austria, and also co-financed by the “Nepal Teacher Training Innovations (NTTI)” and delivered by PHASE Nepal contributes to improving/changing the Teaching Practices (Includes Interactive Classroom study, Critical thinking, Safe Learning Environment, Increase in Student Participation, Collaborative Environment etc.) for children in far Western Nepal.

PHASE Nepal implemented “PHASE Nepal Teacher Training Programme” in Bajura on behalf of PHASE Austria.

**I. Significant accounting policies**

**a. Basis of Preparation**


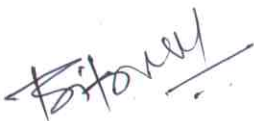
The financial statements expressed in Nepalese Rupees (NRs.) are prepared in accordance with the historical cost convention and on accrual basis but fund received is recognized on cash basis.

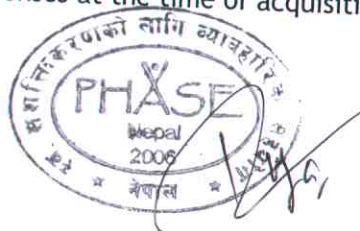
**b. Sources of funds and basis of disbursement of fund**

- Grant received from donors is recognized as income at the time of receipt without consideration of the period of the grant.
- Disbursements to program activities and support expenses are charged as expenses at the time of settlement of advance or payment.
- Interest earned from interest bearing deposits is recognized as income at the time of receipt.


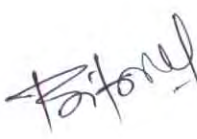
**c. Fixed assets and depreciation**

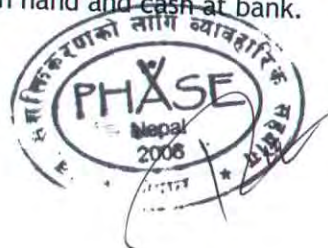
The costs of fixed assets are charged as expenses at the time of acquisition.



- d. **Inventory**  
The cost of inventory in hand at the year-end is not valued and not reflected in the fund accountability statement. Inventory items are charged as expenses at the time of acquisition.
- e. **Reporting Currency**  
Reporting currency is the Nepalese Rupees (NRs.) and the Fund Accountability Statement is expressed in NRs. The contributions are received from PHASE Austria in Euro through Siddhartha Bank Limited and are converted into Nepalese Rupees using the official rate prevailing on the date of receipt of fund.
- f. **Receivables**  
Receivable is a legally enforceable claim for payment from the advances given for expenses.
- g. **Cash and Cash Equivalentents**  
Cash and cash equivalentents consist of cash in hand and deposits in banks. There is NRs. 212,302 balances as a cash in hand and cash at bank.
- h. **Payable**  
Accounts payable is money owed by its suppliers shown as a liability. Payables are often categorized as purchase of physical goods and expense payables.
- i. **Fund received**  
Funds are assistance by Donor in the form of transfer of funds to an organization in return for past or future compliance with certain conditions relating to the operating activities of the organization. All funds received from donors are recognized as fund received at the time of receiving funds.
- j. **Expenses**  
Expenses encompass the expenses that arise during the ordinary activities of the organization.
- k. **Closing fund balance**  
Closing fund balance in the project account represents the closing bank balance, advance and receivables and payable of the project as on the date of total cash receipt deducting all expenses of the respective receipt and payment account. At the end of period, the project has NRs. 212,302 balances as a cash in hand and cash at bank.



**II. Notes to The Accounts**

**a. Inter - project Balances**

PHASE Nepal has various funded projects. In few instances, one project may take funds from other project in case of short comings on expending. Any borrowing from other projects is settled once new funding remitted into project accounts.

**b. Cash and Bank Balance**

The cash and balance represents the amounts of NRs. 212,302 available as cash in hand and cash at bank.

**c. Receivables**

Receivables include advances given to various parties amounting to Nil.

**d. Payables**

In accounting, payables are often understood as the liabilities of the activities that are to be settled in cash within the fiscal year or the operating cycle. The project has no outstanding payable at the end of the project.

**e. Fund received**

Fund received consists of fund received during the year amounting to NRs 4,102,660.

**f. Expenditure**

Expenses of the projects and administrative expenses are categorized as expenditure. Amounting of NRs. 3,890,358 is total project and administrative expenses during the period borne on behalf of this project

**g. Foreign exchange gain/loss**

No Foreign exchange loss has been incurred during the project period, as all accounting takes place in NRS. in country. However, the exchange rate at the time of budget estimation was much higher than at the time of fund receipt (budget developed on basis of 1€=120 NRs., actual received 1€=110NRS.), resulting into almost 10% overspend on the budget.

**h. Rounding Off**

Figures are rounded off to their nearest denomination.

