**Nepal Netra Jyoti Sangh Nepal (NNJS)**

**Audit Report**

**Of**

**'** **HEALTH RIGHT: Inclusive Eye and Ear and Hearing Health in Karnali of Nepal' Project**

**BMZ/Bengo Project No.:** 5226

**CBM Project No.:** 4111-BMZ-MYP

**For the Period from 1 January 2020 to 31 May 2024**

**Submitted by:**

**S. Devkota & Company**

**Chartered Accountants**

**Teku, Kathmandu**

**Nepal**

**5 March 2025**

The Country Director

Christian Blind Mission (CBM) Nepal

Lalitpur, Nepal

**Re: Audit Certificate as per the Terms of Reference**

We hereby certify that we have audited the Financial Statement of **CBM Nepal** with reference to the financing of the project **“ HEALTH RIGHT: Inclusive Eye and Ear and Hearing Health in Karnali of Nepal”, project number 4111-BMZ-MYP** on the basis of the following documents made available to us;

* Project Full Proposal
* Project Contract with approved Budget
* BMZ-Guidelines for the funding of projects incl. special provisions
* BMZ-Guidelines for external Audits
* Annual and Final financial statements and voucher lists
* Access to all legal documents, correspondence, bank statements and any other information associated with the project during the auditing period
* All project-related vouchers (for income, expenditures, transfers, currency exchange, etc.)
* All project-related contracts (staff and consultant contracts, rent contracts, contracts with constructors etc.)
* All project-related procurement documents including procurement award notices
* All further project-related documents necessary for the auditor

To this end, we have inspected the books and vouchers, and report that:

1. All project income totalling NPR 103,163,753.38 were properly evidenced in the form of vouchers and receipts. Out of the reported expenditure aggregating NPR 101,676,370.20, expenditure aggregating **NPR 476,039** are considered ineligible. The remaining expenditure are properly evidenced in the form of vouchers and receipt. ***(Refer Annexure – 1 of this report)***
2. The proved expenditures are in line with the appointed purpose as set out in the Annex 1 of the contract. We have noted deviations in the main budget categories namely “Project Appraisal Visit” and “For Evaluation and Study” exceeding 30% of the financing plan. This deviation has not been clarified, as the grant contract stipulates that any deviations exceeding 30% require an explanation and approval for a contract amendment.
3. We did not come across any income other than the funds transferred directly to CBM. The funds transferred which reconciled with the total Income of NPR. 103,163,753.38. To the best of our knowledge and information provided to us, there were no contributions made by the beneficiary, the target group and/or other agencies in the project country.
4. All terms and conditions of the BMZ as stated in the project agreement and its associated attachments were observed ***except for ineligible expenditures mentioned in Point No. 1 above.***
5. Any other shortcomings and rooms for improvement in internal control aspects are summarized in the Management letter along with the response of the partner organisation.

**Task of the Auditor**

The audit was conducted at the central office of NNJS where vouchers were made available for our review. The following areas were examined:

1. The examination confirmed that all project funds were utilized in accordance with the conditions stipulated in the project documents (stated above) ***except for expenditures noted in Point 1 above*.** Emphasis was placed on the principles of economy and efficiency, ensuring funds were allocated only for approved purposes.
2. The internal administrative and financial control measures were found to be mostly adequate and compliant with local laws and donor requirements. However, discrepancies regarding compliance with internal regulations and local laws were noted, which are detailed in the accompanying management letter.
3. The project accounts were prepared consistently in accordance with International Accounting Standards, providing a true and fair view of the project’s financial situation, resources, and expenditures.
4. In CBM Nepal, separate account for the project was not maintained. In case of partner Nepal Netra Jyoti Sangh (NNJS), initially, a joint account was operated for two projects funded by BMZ in 2021. From 2022 onwards, a separate account was maintained at Nabil Bank Limited for the project, where all income was credited, and expenditures were made.
5. Project bookkeeping was generally well-maintained. Additionally, expenditure was recorded on an accrual basis rather than a cash book basis, though all payments were cleared up before the audit review period except for project audit fees and related expenses.
6. Expenditures were correctly booked in accordance with BMZ budget lines, and all supporting documents were stamped with the project number, ensuring proper documentation.
7. The expenditure, weredocumented by vouchers matched the annual expenditure reported in the voucher lists, indicating consistency in financial reporting.
8. The procurement guidelines were followed. However, in case of partner organization NNJS we noted discrepancies in procurements, which are detailed in the management letter.
9. The examination of staff contracts revealed compliance with national laws regarding social security payments and taxation. Salary expenditures corresponded with budgeted amounts, and discrepancies were noted in the documentation of hospital staff salaries in the MOU, which are detailed in the management letter.
10. The organization maintained a fixed assets inventory; however, there was no practice of maintaining an inventory register for expendable items. As a result, a complete and correctly filled inventory list for expendable items was not available for review.
11. We have noted deviations in the main budget categories namely “Project Appraisal Visit” and “For Evaluation or Study” exceeding 30% of the financing plan. This deviation has not been clarified, as the grant contract stipulates that any deviations exceeding 30% require an explanation and approval for a contract amendment.
12. A physical inspection of the project location, equipment, and activities was carried out as per the agreement during the preparatory meeting.

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Nishchal Bhattarai, FCA

*Partner*

S. Devkota & Company;

Chartered Accountants

Kathmandu, Nepal

Date:

UDIN:

***Annexure 1: Ineligible expenditure***

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Nature of Expenditure** | **Budget head** | **2021** | **2022** | **2023** | **2024** | **Grand Total** |
| **a) Per diem/Allowance** | Awareness Raising Campaigns, Screenings | 3,500 |  |  |  | 3,500 |
| Inklusive Eye- und Ear Care Services | 2,500 | 54,200 | 40,200 |  | 96,900 |
| Lobbying, Advocacy |  |  | 5,000 |  | 5,000 |
| Medical Equipment for Health Facilities | 7,500 |  |  |  | 7,500 |
| Project Monitoring | 100,678 | 148,680 | 24,744 | 8,000 | 282,102 |
| Training, Capacity Development |  | 15,869 |  | 33,120 | 48,989 |
| **Sub-Total** |  | **114,178** | **218,749** | **69,944** | **41,120** | **443,991** |
| **(b) Cost Support to Health Facilities for accessibility renovation work.** | Medical Equipment for Health Facilities | 32,048 |  |  |  | 32,048 |
| **Sub-Total** |  | **32,048** |  |  |  | **32,048** |
| **Grand Total** |  | **146,226** | **218,749** | **69,944** | **41,120** | **476,039** |

***Description of Disallowed Cost***

|  |  |
| --- | --- |
| **Nature of Costs** | **Total** |
| a) Per diem/Allowance | 443,991 |
| b) Cost Support to Health Facilities for accessibility renovation work | 32,048 |
| **Grand Total** | **476,039** |

**Description:**

1. The "Perdiem/Allowance" section under Specific Requirements for Certain Types of Expenditures in the BMZ guidelines for the contract between CBM and NNJS states that for payments of per diems/allowances to project staff during monitoring visits, as well as to training participants and trainers. As per the requirement, the perdiem/allowances paid should be reduced by 40% if the lunch for all the participants has been budgeted. However, it was observed that project staffs received food and accommodation, as well as travel costs totaling NPR 1,109,977 during field visits. Out of this amount, 40% (NPR 443,991) is considered sitting allowances and are therefore considered ineligible.
2. Under activity A02.11, specifically 2.2.8 regarding the Improvement of Accessibility at Primary Health Centers, NNJS provided financial support for the repair and renovation of health facilities. Contracts were established between the NNJS and six different municipalities, with funds disbursed in advance upon signing the contracts. The terms of contract stipulated that each municipality would oversee the cost and repair work at the designated health facilities according to the accessibility improvements planned.

As per the terms of the contract upon completion of the renovations, municipalities were required to submit bills/invoices and payment slips related to the actual work conducted. However, NNJS had accounted the expenditure and charged to project at the time of advance provided to municipalities without obtaining bills/invoices and payment slips that validate the repairs and the associated costs. Out of the support of NPR 280,000 and NPR 420,000 provided to Gurvakot Municipality and Narayan Municpality in Dailekh district, the supporting documents totaling NPR 32,048 were not available.