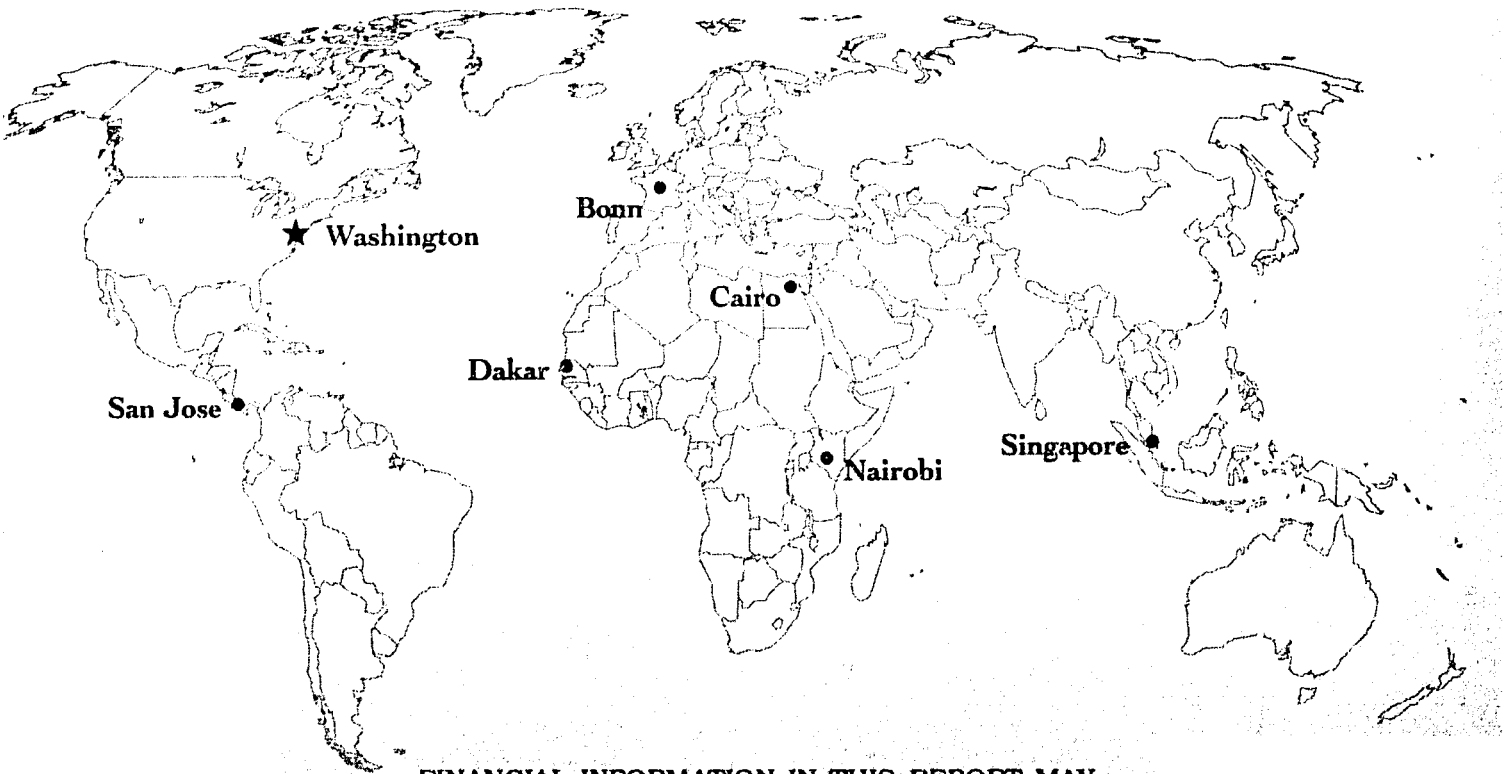
PD-ABL-501

Regional Inspector General for Audit
Singapore

AUDIT OF
USAID/NEPAL'S GRANT TO
INSTITUTE OF FORESTRY
UNDER USAID PROJECT 367-0154

Audit Report No. 5-367-95-015-N
May 30, 1995



FINANCIAL INFORMATION IN THIS REPORT MAY BE PRIVILEGED. THE RESTRICTIONS OF 18 USC 1905 SHOULD BE CONSIDERED BEFORE ANY INFORMATION IS RELEASED TO THE PUBLIC.

INSPECTOR GENERAL

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

U.S. Agency For
International
Development

May 30, 1995

TO: Frederick Machmer, Mission Director, USAID/Nepal

FROM: Richard C. Thabet RIG/A/Singapore

SUBJECT: Audit of USAID/Nepal's Grant with the Institute of Forestry
Report No. 5-367-95-015-N

Enclosed are five copies of the subject audit report (prepared by the accounting firm, T.R. Upadhya & Co.) for your action. The audit covered the period from July 16, 1987 to July 15, 1994. During this period, the Institute of Forestry reported that it spent $540,374. The background information on the contract and the project is presented on page i of the report.

The audit objectives were to:

- Determine whether the Institute of Forestry Fund Accountability Statement presents fairly the expenditures incurred under the contract;
- Report on the Institute of Forestry system of internal controls; and
- Report on the Institute of Forestry compliance with applicable laws, regulations, and terms of the contract agreement.

The audit report concluded that:

- Except for $20,559 in questioned costs, the Fund Accountability Statement presents fairly, in all material respects, the expenditures incurred under the contract;
- the Institute of Forestry internal controls had three reportable conditions, of which two were considered to be material weaknesses; and

- the Institute of Forestry operations complied in all material respects with applicable laws, regulations, and terms of the contract agreement.

This audit report contains three findings and recommendations and $20,559 in questioned costs. the Institute of Forestry's management comments are presented in its entirety in Appendix 1.

USAID/Nepal needs to ensure that necessary action is taken to correct the problems noted in this audit. In addition, the following recommendation will be included in the Inspector General's recommendation follow-up system:

> Recommendation No. 1: We recommend that USAID/Nepal resolve $20,559 ($17,866 ineligible and $2,693 unsupported) in questioned costs with the Institute of Forestry and recover any amounts determined to be unallowable.

We appreciate the courtesies and cooperation USAID/Nepal and the Institute of Forestry extended to the auditors and our staff during the course of this audit.

Please advise me within 30 days of any actions planned or taken to close the above recommendations.

Attachment: a/s

B

FINANCIAL AUDIT

OF

INSTITUTE OF FORESTRY

PERTAINING TO ITS
PROJECT GRANT AGREEMENT

WITH

THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT IN

NEPAL

Project Grant Agreement NO: 367-0154

FOR THE PERIOD JULY 16, 1987 TO
JULY 15,1994

MAY 11, 1995

T. R. UPADHYA & CO.
CHARTERED ACCOUNTANTS

BANESHWAR HEIGHT

C

FINANCIAL AUDIT OF

INSTITUTE OF FORESTRY

PERTAINING TO ITS PROJECT GRANT AGREEMENT WITH THE UNITED STATES AGENCY
FOR INTERNATIONAL DEVELOPMENT IN NEPAL

INDEPENDENT AUDITORS' REPORT

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T. R. UPADHYA & CO.
Chartered Accountants

KH-2-862 BANESHWAR HEIGHT
P. O. BOX NO. 4414
KATHMANDU. NEPAL.

May 11, 1995

Mr. Richard C. Thabet
RIG/A/Singapore,
Singapore.

Dear Sir,

Ref: Financial Audit of Institute of Forestry
for the period July 16, 1987 to July 15, 1994

This report presents the results of our financial audit of Institute of Forestry pertaining to Project Grant Agreement Agreement No. 367-0154 with the United States Agency for International Development, Nepal ("USAID/N") for the period July 16, 1987 to July 15, 1994. Funding from USAID/N continues beyond our review period under a contract which is effective upto July 15, 1995.

Audit Objectives and Scope of Work

We have conducted a financial audit of Institute of Forestry's Fund Accountability Statement as it relates to the Project Grant Agreement No. 367-0154 for the period July 16, 1987 to July 15, 1994 and the notes thereon. The results of our work are reflected in the accompanying Independent Auditors' Reports on the:

(a) Fund Accountability Statement;
(b) System of Internal Control; and
(c) Compliance with Project Grant Agreement Terms, Applicable laws and Regulations.

The objectives of our work were to determine whether:

(a) The Fund Accountability Statement of Institute of Forestry fairly presents the costs incurred and reimbursed covering the period July 16, 1987 through July 15, 1994 in accordance with generally accepted accounting principles and with the terms of the Project Grant Agreement for the period noted above with USAID/N. All expenditure reimbursed by USAID/N was covered by this audit;

(b) Institute of Forestry's internal accounting controls were adequate to provide reasonable assurance that the assets of Institute of Forestry were safeguarded against loss from unauthorized use or disposition and that transactions were properly recorded; and

(c) Institute of Forestry has complied with applicable laws, regulations and project agreement terms.

Our audit was principally conducted in accordance with generally accepted auditing standards and US Government Auditing Standards and, accordingly, included such tests as we considered appropriate in order to satisfy our objectives.

The scope of our work included the following general procedures:

(a) Holding meetings with USAID/N, Institute of Forestry and his officials
(b) Reviewing the Project Grant Agreement and appropriate amendments, OMB circular, AID handbook regulations, correspondence and minutes of meetings between USAID/N and Institute of Forestry.
(c) Obtaining an understanding of the accounting, administrative and internal control systems of Institute of Forestry using questionnaires, interviews, and narrative descriptions;
(d) Devising and performing appropriate tests on the transactions and recorded in the Fund Accountability Statement;
(e) Designing appropriate audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have a direct and material effect on the results of our audit. We were also aware of the possibility of illegal acts that could have an indirect and material effect on the results of our audit; and
(f) Testing the effectiveness of administrative controls applied by Institute of Forestry's management to ensure compliance with applicable laws, regulations and agreement terms.

Prior Reports

Institute of Forestry had not been subject to any audits under AID guidelines prior to this financial audit performed by our firm. As such we have not reported on the follow up on prior audit reports. However, findings and recommendations on audit performed by the Office of the Auditor General has not yet been resolved as of the date of our audit.

In addition, three financial reviews of the Institute of Forestry had been carried out by USAID/N during the duration of the project, the finding of which are summarized hereunder:

Findings on Internal Control

i) Supplementary financial statements do not correspond to object class ledgers.
ii) Staff advances not cleared on a timely manner
iii) Scholarship to female students not properly accounted for
iv) Claims in excess of actual expenditure
v) Procurement plan not adequate

Findings on Non Compliance

i) Deduction of Contract Tax when exemption granted
ii) Grant for books and equipment not fully claimed
iii) Physical verification not conducted
iv) Internal Audit and Audit by Auditor General not done
v) Follow up & resolution of prior audit (AG Audit) not carried out.

We came across similar findings during our audit and have incorporated it in our report as the conditions contiued to prevail at IOF. The management of IOF has not taken any measures to implement the recommendations made by USAID/N.

Acknowledgments

We would like to take this opportunity to express our gratitude for the cooperation extended to us by the management and staff of Institute of Forestry, USAID/N and its officials and RIG/A/Singapore during the course of our audit.

Yours Truly

REPORT ON THE

FUND ACCOUNTABILITY STATEMENT

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T. R. UPADHYA & CO.
Chartered Accountants

KH-2-862 BANESHWAR HEIGHT
P. O. BOX NO. 4414
KATHMANDU. NEPAL.

May 11, 1995

Mr. Richard C. Thabet
RIG/A/Singapore
Singapore

Institute of Forestry

Pertaining to its Project Grant Agreement with the
United States Agency for International Development in Nepal

Independent Auditors' Report on the
Fund Accountability Statement

1. We have audited the Fund Accountability Statement of Institute of Forestry pertaining to its Project Grant Agreement No. 367-0154 with the United States Agency for International Development, Nepal ("USAID/N"), as it relates to the period July 16, 1987 to July 15, 1994. The contract is ongoing and funding from USAID/N continues beyond our review period upto July 15, 1995.

2. The fund accountability statement for the contract for the period July 16, 1987 to July 16, 1994 and notes thereon, and set out on pages 3 to 6, is the responsibility of Institute of Forestry management. Our responsibility is to express an opinion on this statement based on our audit.

3. We conducted our audit in accordance with generally accepted auditing standards and US Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosure 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 financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

4. As stated in Note 2 on page 9 the Fund Accountability Statement presents only transactions of Institute of Forestry as it pertains to funds reimbursed from USAID/N under the Project Grant Agreement and is not intended to present fairly the income and expenditure of Institute of Forestry as a whole.

5. In our opinion, except for NRs. 1,004,327.37 relating to questioned costs the Fund Accountability Statement referred to above presents fairly in all material respects, the costs incurred and reimbursed to Institute of Forestry for the period July 16, 1987 to July 15, 1994 in conformity with generally accepted accounting principles.

Institute of Forestry

Pertaining to its Project Grant Agreement with the United States Agency for International Development in Nepal

Independent Auditors' Report on the
Fund Accountability Statement

6. This report is intended for the information of Institute of Forestry and US Agency for International Development (A.I.D.). However, upon acceptance by A.I.D. Office of the Inspector General, this report is a matter of public record and its distribution is not limited.

T. R. Upadhya & Co.
Chartered Accountants

Dated: May 11, 1995

Institute of Forestry

Fund Accountability Statement

16 July, 1987 to 15 July, 1991

Cost Claimed & Reimbursed:

	Operating Expenditure	Actual NRs.	Questioned Cost Ineligible NRs.	Questioned Cost Unsupported NRs.	Reference to Findings
F.Y.	2044-45 (1987-88)				
	09/001 & 002	911,367.95	3,902.20	0.00	Annexure 1
	09/007 to 035	3,373,638.18	54,743.46	5,263.20	Annexure 1
	2045-46 (1988-89)	3,374,503.32	60,285.28	0.00	Annexure 1
	2046-47 (1989-90)	2,566,287.62	61,259.88	0.00	Annexure 1
	2047-48 (1990-91)	3,985,881.21	76,326.97	51,478.22	Annexure 1
	2048-49 (1991-92)	3,756,931.12	250,155.13	46,861.04	Annexure 1
	2049-50 (1992-93)	4,468,417.62	246,859.91	23,877.00	Annexure 1
	2050-51 (1993-94)	4,581,693.94	116,129.08	7,186.00	Annexure 1
	Contract Tax Paid Disallowed		23,665.31		Note 3 on Fund Accountability Statement
	Total Cost Reimbursed	27,018,720.96	893,327.22	134,665.46	

Institute of Forestry

DETAIL OF EXPENDITURE CLAIMED BY IOF POKHARA CAMPUS AND REIMBURSED BY USAID/N

Amount in NRs.

Financial year	Expenditure Claimed			Reimbursed By USAID/N	Disallowed By USAID/N	Remarks
	Original Invoice	Supplementary Invoice	Total Claim			
2044-45 (1987-88)	2,580,337.14	65,184.62	2,645,521.76	2,645,515.01	6.75	
2045-46 (1988-89)	2,236,964.94	48,933.93	2,285,898.87	2,267,152.49	18,746.38	
2046-47 (1989-90)	1,665,934.34	64,762.19	1,730,696.53	1,718,357.06	12,339.46	
2047-48 (1990-91)	2,821,989.26	108,457.59	2,930,446.85	2,810,027.56	102,876.59	Rs. 17,542.70 not reimbursed
2048-49 (1991-92)	2,608,911.08	128,406.67	2,737,317.75	2,607,003.71	1,907.37	Supplementary invoic not reimbursed
2049-50 (1992-93)	2,963,469.92	73,460.79	3,036,930.71	3,036,930.71	0.00	
2050-51 (1993-94)	2,891,054.61	125,316.69	3,016,371.30	3,016,371.30	0.00	
Total	17,768,661.29	614,522.48	18,383,183.77	18,101,357.84	135,876.55	

Institute of Forestry

DETAIL OF EXPENDITURE CLAIMED BY IOF HETAUDA CAMPUS AND REIMBURSED BY USAID/N

Amount in NRs.

Financial year	Expenditure Claimed: Original Invoice	Expenditure Claimed: Supplementary Invoice	Expenditure Claimed: Total Claim	Reimbursed By USAID/N	Disallowed By USAID/N	Remarks
2044-45 (1987-88)	1,554,302.03	85,189.10	1,639,491.13	1,639,491.12	0.01	
2045-46 (1988-89)	970,005.98	142,668.50	1,112,674.48	1,107,350.83	5,323.65	
2046-47 (1989-90)	847,930.56	0.00	847,930.56	847,930.56	0.00	
2047-48 (1990-91)	1,079,699.31	112,059.90	1,191,759.21	1,175,853.65	15,905.56	
2048-49 (1991-92)	1,173,024.87	65,471.83	1,238,496.70	1,149,927.41	23,097.46	Supplementary claim not reimbursed
2049-50 (1992-93)	1,431,486.91	0.00	1,431,486.91	1,431,486.91	0.00	Supplementary invoice not claimed by IOF
2050-51 (1993-94)	1,565,322.64	0.00	1,565,322.64	1,565,322.64	0.00	Supplementary invoice not claimed by IOF
Total	8,621,772.30	405,389.33	9,027,161.63	8,917,363.12	44,326.68	

INSTITUTE OF FORESTRY
STATEMENT OF TOTAL QUESTIONED COSTS

Account Description	Account Code	F.Y. 2044-45 Questioned Cost Amount (Rs.)	F.Y. 2044-45 Questioned Cost USAID/N Portion	F.Y. 2045-46 Questioned Cost Amount (Rs.)	F.Y. 2045-46 Questioned Cost USAID/N Portion	F.Y. 2046-47 Questioned Cost Amount (Rs.)	F.Y. 2046-47 Questioned Cost USAID/N Portion	F.Y. 2047-48 Questioned Cost Amount (Rs.)	F.Y. 2047-48 Questioned Cost USAID/N Portion	F.Y. 2048-49 Questioned Cost Amount (Rs.)	F.Y. 2048-49 Questioned Cost USAID/N Portion	F.Y. 2049-50 Questioned Cost Amount (Rs.)	F.Y. 2049-50 Questioned Cost USAID/N Portion	F.Y. 2050-51 Questioned Cost Amount (Rs.)	F.Y. 2050-51 Questioned Cost USAID/N Portion	Total Questioned Costs
ary Academic	001	8617.50	2585.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2585.25
ary Admin.	002	4389.82	1316.95	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1316.95
mination Related	007	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5893.30	4480.65	0.00	0.00	0.00	0.00	4480.65
ter & Electricity	008	331.60	248.70	202.18	151.64	12491.28	8119.33	575.30	431.48	3727.97	5673.18	0.00	0.00	14372.00	7186.00	21810.92
use Rent	009	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
pair & Maintenance	011	23248.33	17436.25	3250.00	2437.50	38911.47	23346.88	0.00	0.00	49949.02	32466.86	0.00	0.00	81172.50	40586.25	116273.14
nsportation	012	859.83	644.87	0.00	0.00	0.00	0.00	17431.63	13073.72	53200.00	34580.00	0.00	0.00	0.00	0.00	48298.00
vertisement	013	0.00	0.00	0.00	0.00	0.00	0.00	32589.17	24441.88	66131.40	42985.41	39795.00	23877.00	0.00	0.00	91304.29
nk Charge	014	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
lephone/Postage	016	25343.13	19007.35	395.35	296.51	168.00	99.60	28733.97	21550.48	244.99	224.24	1617.39	970.43	0.00	0.00	42148.02
tionery	017	0.00	0.00	0.00	0.00	1220.00	793.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	793.00
agazines	018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
avel, Perdiem	019	11096.00	8322.00	10467.50	7850.63	7833.80	4700.28	24680.00	18510.00	175327.30	113962.75	321239.00	192743.40	31720.16	15860.08	361949.13
remonies	020	0.00	0.00	8725.80	6544.35	7001.50	4200.90	3711.50	2783.63	3898.00	2533.70	9174.40	5504.64	22718.50	11359.25	32926.47
uest Reception	021	0.00	0.00	35916.98	26937.74	14298.94	8579.36	28216.15	21162.11	47621.00	30953.65	40819.15	24491.49	46840.25	23420.13	135544.48
vertime	022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6952.00	3476.00	3476.00
eeting Allowance	023	7916.00	5937.00	7033.50	5275.13	11333.79	6800.27	17369.90	13027.43	3763.73	2446.42	10644.50	6386.70	3781.75	1890.88	41763.02
fice Misc.	024	1600.00	1200.00	0.00	0.00	155.00	100.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1300.75
griculture Related	026	3224.00	2418.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2418.00
udents Welfare	027	1450.00	1087.50	0.00	0.00	1230.00	799.50	12899.30	9674.48	37691.24	24499.31	23338.75	14003.25	37073.00	18536.50	68600.53
esearch	030	840.00	630.00	14389.06	10791.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11421.80
cholerships	031	600.00	450.00	0.00	0.00	6200.00	3720.00	4200.00	3150.00	3400.00	2210.00	4600.00	2760.00	2000.00	1000.00	13290.00
hemical, Educational	033	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
oading/Unloading	035	3500.00	2825.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2825.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL		93016.21	63908.86	80380.37	60285.28	100841.78	61259.88	170406.92	127805.19	456947.95	297016.17	451228.19	270736.91	246830.16	123315.08	1004327.37

INSTITUTE OF FORESTRY - POKHARA
STATEMENT OF QUESTIONED COSTS

Account Description	Account Code	F.Y. 2044-45		F.Y. 2045-46		F.Y. 2046-47		F.Y. 2047-48		F.Y. 2048-49		F.Y. 2049-50		F.Y. 2050-51		Total Questioned Costs
		Questioned Cost		Questioned Cost		Questioned Cost		Questioned Cost		Questioned Cost		Questioned Cost		Questioned Cost		
		Amount (Rs.)	USAID/N Portion	Amount (Rs.)	USAID/N Portion	Amount (Rs.)	USAID/N Portion	Amount (Rs.)	USAID/N Portion	Amount (Rs.)	USAID/N Portion	Amount (Rs.)	USAID/N Portion	Amount (Rs.)	USAID/N Portion	
Salary Academic	001	2175.00	652.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	652.50
Salary Admin.	002	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Examination Related	007	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6393.30	4480.65	0.00	0.00	0.00	0.00	4480.65
Water & Electricity	008	246.40	184.80	0.00	0.00	12491.28	8119.33	216.00	162.00	5862.50	3875.63	0.00	0.00	0.00	0.00	12341.76
House Rent	009	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repair & Maintenance	011	23248.33	17436.25	0.00	0.00	37836.47	22701.88	0.00	0.00	0.00	0.00	0.00	0.00	81172.50	40586.25	80724.38
Transportation	012	859.83	644.87	0.00	0.00	0.00	0.00	17025.00	12758.75	53200.00	34580.00	0.00	0.00	0.00	0.00	47993.62
Advertisement	013	0.00	0.00	0.00	0.00	0.00	0.00	32589.17	24441.88	66131.40	42985.41	39795.00	23877.00	0.00	0.00	91304.29
Bank Charge	014	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Telephone/Postage	016	25009.41	18757.06	395.35	296.51	0.00	0.00	28689.97	21517.48	0.00	0.00	1617.39	970.43	0.00	0.00	41541.48
Stationery	017	0.00	0.00	0.00	0.00	1220.00	793.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	793.00
Magazines	018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Travel, Perdiem	019	8800.00	6600.00	8000.00	6000.00	4200.00	2520.00	22680.00	17010.00	104518.50	67937.03	215948.00	129568.80	28470.16	14235.08	243870.91
Ceremonies	020	0.00	0.00	3295.25	2471.44	3437.25	2062.35	2340.00	1755.00	1538.00	999.70	3594.50	2156.70	19752.00	9876.00	19[illegible].19
Guest Reception	021	0.00	0.00	25916.98	19437.74	10489.19	6293.51	18216.75	13662.56	37771.25	24551.31	25913.30	15547.98	41032.00	20516.00	10[illegible]09.10
Overtime	022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6952.00	3476.00	3476.00
Meeting Allowance	023	7390.50	5542.88	4420.00	3315.00	6714.54	4028.72	14005.50	10504.13	1784.23	1159.75	7466.50	4479.90	0.00	0.00	29030.37
Office Misc.	024	1600.00	1200.00	0.00	0.00	155.00	100.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1300.75
Agriculture Related	026	2832.00	2124.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2124.00
Students Welfare	027	0.00	0.00	0.00	0.00	1230.00	799.50	3079.30	2309.48	27851.24	18103.31	6098.75	3659.25	28553.00	14276.50	39148.03
Research	030	0.00	0.00	14389.06	10791.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10791.80
Scholorships	031	0.00	0.00	0.00	0.00	0.00	0.00	2600.00	1950.00	0.00	0.00	4600.00	2760.00	0.00	0.00	4710.00
Chemical, Educational	033	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loading/Unloading	035	3500.00	2625.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2625.00
TOTAL		75881.47	55767.35	58416.64	42312.48	77773.73	47419.05	141441.69	108081.27	305850.42	198872.77	305033.44	183020.06	205931.66	102966.83	738238.82

Annexure 1B

INSTITUTE OF FORESTRY - HETAUDA CAMPUS
STATEMENT OF QUESTIONED COSTS

Account Description	Account Code	F.Y. 2044-45 Questioned Cost Amount (Rs.)	F.Y. 2044-45 Questioned Cost USAID/N Portion	F.Y. 2045-46 Questioned Cost Amount (Rs.)	F.Y. 2045-46 Questioned Cost USAID/N Portion	F.Y. 2046-47 Questioned Cost Amount (Rs.)	F.Y. 2046-47 Questioned Cost USAID/N Portion	F.Y. 2047-48 Questioned Cost Amount (Rs.)	F.Y. 2047-48 Questioned Cost USAID/N Portion	F.Y. 2048-49 Questioned Cost Amount (Rs.)	F.Y. 2048-49 Questioned Cost USAID/N Portion	F.Y. 2049-50 Questioned Cost Amount (Rs.)	F.Y. 2049-50 Questioned Cost USAID/N Portion	F.Y. 2050-51 Questioned Cost Amount (Rs.)	F.Y. 2050-51 Questioned Cost USAID/N Portion	Total Questioned Costs
ary Academic	001	6442.50	1932.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1932.75
ary Admin.	002	4389.82	1316.95	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1316.95
amination Related	007	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ater & Electricity	008	85.20	63.90	202.18	151.64	0.00	0.00	359.30	269.48	2765.47	1797.56	0.00	0.00	14372.00	7186.00	9468.57
ouse Rent	009	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
epair & Maintenance	011	0.00	0.00	3250.00	2437.50	1075.00	645.00	0.00	0.00	49949.02	32466.86	0.00	0.00	0.00	0.00	35549.36
ansportation	012	0.00	0.00	0.00	0.00	0.00	0.00	406.63	304.97	0.00	0.00	0.00	0.00	0.00	0.00	304.97
dvertisement	013	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ank Charge	014	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
elephone/Postage	016	333.72	250.29	0.00	0.00	166.00	99.60	44.00	33.00	344.99	224.24	0.00	0.00	0.00	0.00	607.13
tationery	017	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
agazines	018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ravel, Perdiem	019	2296.00	1722.00	2467.50	1850.63	3633.80	2180.28	2000.00	1500.00	70808.80	46025.72	105291.00	63174.60	3250.00	1625.00	118078.23
eremonies	020	0.00	0.00	5430.55	4072.91	3564.25	2138.55	1371.50	1028.63	2360.00	1534.00	5579.90	3347.94	2968.50	1483.25	13605.28
uest Reception	021	0.00	0.00	10000.00	7500.00	3809.75	2285.85	9989.40	7499.55	9849.75	6402.34	14905.85	8943.51	5808.25	2904.13	35535.37
vertime	022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
eeting Allowance	023	525.50	394.13	2613.50	1960.13	4619.25	2771.55	3364.40	2523.30	1979.50	1288.68	3178.00	1906.80	3781.75	1890.88	12733.45
ffice Misc.	024	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
griculture Related	026	392.00	294.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	294.00
tudents Welfare	027	1450.00	1087.50	0.00	0.00	0.00	0.00	9820.00	7365.00	9840.00	6396.00	17240.00	10344.00	8520.00	4260.00	29452.50
esearch	030	840.00	630.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	630.00
cholarships	031	600.00	450.00	0.00	0.00	6200.00	3720.00	1600.00	1200.00	3400.00	2210.00	0.00	0.00	2000.00	1000.00	8580.00
hemical, Educational	033	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
oading/Unloading	035	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL		17354.74	8141.51	23963.73	17972.80	23068.05	13840.83	28966.23	21723.92	151297.53	98343.39	148194.75	87716.85	40698.50	20349.25	268088.56

Institute of Forestry

Pertaining to its Project Grant Agreement with the United States Agency for International Development in Nepal

Independent Auditors' Report on the Fund Accountability Statement

Notes to the Fund Accountability Statement

1. Significant Accounting Policies

a) The Fund Accountability Statement, expressed in Nepalese Rupees and its equivalent US Dollar, is prepared in accordance with historical cost convention.

b) Expenditure is accounted for on cash basis. Reimbursements from USAID/N relates to amounts already received in Cash.

2. Component Unit of Institute of Forestry

The Fund Accountability Statement as presented in pages 3 of this report, presents only the transactions and balances of Institute of Forestry as they pertain to the Project Grant Agreement with USAID/N and is not intended to present fairly the income, expenditure, assets and liabilities of Institute of Forestry as a whole.

3. Contract Tax Deducted from suppliers Invoice

The Institute of Forestry, (Pokhara) has deducted contract tax from different suppliers invoice amounting to NRs. 48,388.68 and deposited with the Tax office. The Project Grant Agreement states that contracts funded under this grant are exempted from all taxes.

The contract tax collected for financial years 2044-45 to 2050-51 are as follows:

Financial years	Total Contract Tax Deducted	Attributable to USAID grant
2044-45	8,351.85	6,263.89
2045-46	2,284.35	1,713.26
2046-47	16,339.76	9,803.86
2047-48	5,837.95	Deducted by USAID/N
2048-49	4,946.77	Deducted by USAID/N
2049-50	5,703.00	3,421.80
2050-51	4,925.00	2,462.50
	48,388.68	**23,665.31**

REPORT

ON

THE SYSTEM OF INTERNAL CONTROL

9A

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T. R. UPADHYA & CO.
Chartered Accountants

KH 2 [illegible] BANESHWAR HEIGHT
P. O. BOX NO. 4414
KATHMANDU. NEPAL.

May 11, 1994

Mr. Richard C. Thabet
RIG/A/Singapore
Singapore

Institute of Forestry

Pertaining to its Project Grant Agreement with the United States Agency for International Development in Nepal

Independent Auditors' Report on the Internal Controls

1. We have audited the Fund Accountability Statement of Institute of Forestry pertaining to its Project Grant Agreement No. 367-0154 with the United States Agency for International Development, Nepal ("USAID/N") as it relates to the period July 16,1987 to July 15, 1994. Funding from USAID/N continues beyond our review period under the same contract which is effective upto July 15, 1995.

2. This Fund Accountability Statement for the Project Grant Agreement and the notes thereon, is set out on pages 3 to 9 and we have issued our report dated May 11, 1995.

3. We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free from material misstatement.

4. In planning and performing our audit of Institute of Forestry we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure of Institute of Forestry as a whole.

5. The management of Institute of Forestry is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss of unauthorized use or disposition; transactions are executed in accordance with the management's authorization and recorded properly to preparation of the fund accountability statement in accordance with the generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also projection of any evaluation of the structure to

future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

6. For the purpose of this report we have classified the significant internal control structure policies and procedures in the following categories.

Accounting Controls

Cash and Bank
Salaries
Equipment
Procurement
Inventory

7. For all the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed the control risk.

8. We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement could adversely affect the foreign recipient's ability to record, process, summarize and report financial data consistent with the assertions of management in the fund accountability statement.

9. The results of our tests on internal control structure disclosed instances of reportable conditions on the system of internal control which have been reported in findings 1 to 3 on pages 13 to 17.

10. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Institute of Forestry

Pertaining to its Project Grant Agreement with the
United States Agency for International Development in Nepal

Independent Auditors' Report on the
Internal Controls

11. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

12. Our consideration of the internal control structure disclosed that findings 1 to 3 are material internal control weaknesses and are separately reported in detail in pages 13 to 17.

13. We also noted certain matters involving the internal control structure and its operations that we have reported to the management of Institute of Forestry in a separate letter dated May 11, 1995.

14. This report is intended for the information of Institute of Forestry and US Agency for International Development (A.I.D.). However, upon acceptance by the A.I.D. Office of the Inspector General, this report is a matter of public record and its distribution is not limited.

T. R. Upadhya & Co.
Chartered Accountants

Dated: May 11, 1995

Institute of Forestry

Schedule of Findings on Internal Control

1. Inadequate Control over assets of IOF

Condition:

The assets held by the Institute of Forestry were not subject to adequate control to ensure its safe custody against losses due to theft, obsolescence etc. as:

a) proper recording system containing details of identification mark, number, price, location and disposal of assets is not maintained.

b) proper identification mark has not been assigned to the assets held by IOF.

c) location of assets have not been mentioned in the record maintained at present.

d) the assets held cannot be identified to the records.

e) physical verification of assets held have never been conducted since the past 10 years and not even once during the duration of the project.

f) the findings of the last physical verification which was completed on F.Y. 2041 have not been resolved as yet.

g) reconciliation of balance as shown by property register with general ledger balance have never been carried out as the balance of property register is not determined.

h) item of furniture, sleeping bags and other equi. ments issued to employees are not returned even though employees have retired from TU services or have been transferred.

i) items of obsolete, damaged assets are neither identified not taken off the stock register.

j) The non expendable equipment ledger being used by IOF is identical to the inventory ledger maintained to record expendable items.

Criteria:

A sound property management system requires that adequate control be exercised in order to safeguard the assets from loss.

Effect:

In the absence of adequate recording system, the existence of assets held by IOF and reflected in the financial records cannot be verified. Further, IOF does not have the necessary means to ensure that assets acquired and provided under the grant agreement is properly controlled and safeguarded.

Institute of Forestry
Schedule of Findings on Internal Control

1. Inadequate Control over assets of IOF (contd.)

Cause:

The management is fully aware of the prevailing internal control weakness regarding safeguarding of fixed assets but have not initiated any measures to improve the condition.

The formats prescribed in the accounting manual were not made available to Institute of Forestry by Tribhuvan University. It was explained to us that none of the institutions under Tribhuvan University maintained non expendable equipment register as laid down in the accounting manual.

Recommendation:

The management should ensure that adequate control measures are exercised immediately so that the existence of the assets held by it is confirmed, the value of assets held is correctly reflected in the property register as well as financial records.

IOF should physically verify the non expandable equipment and property held by them and record them into an appropriately designed non expendable equipment and property register showing at least the following information:

i) Date of Purchase
ii) Suppliers Name & Address
iii) Model No.
iv) Quantity
v) Identification Mark
vi) Location
vii) Price
viii) Disposal

Management Comments:

The management has initiated the process of improving the situation and steps have already been taken to update the records of assets of IOF by conducting physical count.

2. Store Accounting System not Adequate

Condition:

IOF does not have a store accounting system for consumable items as such regular reconciliations of store accounts with financial records cannot be conducted. Moreover, periodic physical verification of consumable items have not been conducted by IOF. Further it was observed that IOF followed a system of charging off purchases of consumable items to expenditure at the time of procurement irrespective of the fact that the items had not been consumed at all.

Criteria:

A sound internal control over store transactions require that physical verification of store items be carried out regularly and periodic reconciliation with financial records are carried out to determine the variances on a timely basis. Moreover, TU financial regulation requires that physical verification of store items be carried out at least once a year.

A sound accounting practice requires that an expenditure should be charged in the books only upon receiving of the services or consumption of goods.

Effect:

IOF has claimed and been reimbursed by USAID/N for costs which have not been expended but are held as inventory of IOF.

Further, in the absence of store accounting system and physical verification of store item, the discrepancies in the stores cannot be detected and reconciled timely.

Cause:

The management is not aware of store accounting system and has been following the accounting system as prescribed by Tribhuvan University.

2. Store Accounting System not Adequate (contd.)

Recommendation:

IOF should introduce a system of store accounting for inventory items and, periodic reconciliations carried out with financial records.

Management Comments:

Tribhuvan University does not have a comprehensive store accounting procedures. The management will take up the recommendation made with the central office.

3. Procurement Procedures not adequate:

Condition:

The procurement procedures of IOF were not adequate as:

a) Procurement were made on the basis of Purchase Requisitions (Form 27) raised and not the Purchase Orders (Form 28). Purchase Orders are not prepared.

b) In some cases it was observed that even store in-charge were advanced funds to procure goods.

c) It was observed that there was no inventory management at IOF. Small procurement were made at frequent intervals to meet immediate demands by breaking up purchase into smaller quantity/lot. The practice of procuring items, at the beginning of the year on the basis of assessment of annual requirement through tenders [illegible]

Criteria:

Tribhuvan University financial regulations encourages procurement of inventory items to be made at the beginning of the financial year on the basis of the assessment of the consumption of the institute for the whole year through sealed tenders. Further, a Purchase Order has been prescribed in the accounting manual for use at the time of procurement.

Effect:

The institute may be deprived of the benefit of volume or other discount when procurement is made in small quantities.

Cause:

The management is fully aware of this practice but has not been enforcing the prescribed procedures.

Recommendation:

The management should ensure that the procurement procedures laid down by Tribhuvan University is strictly adhered to. Further it should follow the procedure to procure goods through sealed tenders for the whole year consumption so that the institute benefits from the economy of scale. Moreover, the storekeeper should not be involved procurement of goods.

Management Comments:

Efforts will be made to implement the recommendation as far as practicable.

REPORT

ON

COMPLIANCE WITH

PROJECT GRANT AGREEMENT TERMS, APPLICABLE LAWS

AND REGULATIONS

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T. R. UPADHYA & CO.
Chartered Accountants

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P. O. BOX NO. 4414
KATHMANDU, NEPAL.

May 11, 1994

Mr. Richard C. Thabet
RIG/A/Singapore
Singapore

Institute of Forestry

Pertaining to its Project Grant Agreement with the United States Agency for International Development in Nepal

Independent Auditors' Report on the
Project Grant Agreement Terms, Applicable Laws and Regulations

1. We have audited the Fund Accountability Statement of Institute of Forestry (IOF) pertaining to its Project Grant Agreement No. 367-0154 with the United States Agency for International Development, Nepal ("USAID/N") as it relates to the period July 16, 1987 to July 15, 1994. Funding from USAID/N continues beyond our review period under the same agreement which is effective upto July 15, 1995.

2. This Fund Accountability Statement for the Project Grant Agreement and the notes thereon, is set out on pages 3 to 9 and we have issued our report dated May 11, 1995.

3. We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free from material misstatement.

4. Compliance with agreement terms and laws and regulations applicable to Institute of Forestry is the responsibility of Institute of Forestry management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of Institute of Forestry's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

5. The results of our tests of compliance indicate that, with respect to the items tested, Institute of Forestry complied, in all material respects, with the provisions referred in paragraph 4. With respect to items not tested, nothing came to our attention that caused us to believe that Institute of Forestry had not complied, in all material respects, with those provisions.

Institute of Forestry

Pertaining to its Project Grant Agreement with the
United States Agency for International Development in Nepal

Independent Auditors' Report on the
Project Grant Agreement Terms, Applicable Laws and Regulations

6. We noted certain immaterial instances of noncompliance that we have reported to the management of Institute of Forestry in a separate letter dated May 11, 1995.

7. This report is intended for the information of Institute of Forestry , and the US Agency for International Development (A.I.D.). However, upon acceptance by the A.I.D. Office of the Inspector General, this report is a mader of public record and its distribution is not limited.

T. R. Upadhyay & Co.
Chartered Accountants

Dated: May 11, 1995

05-10-1995 15:54

TRIBHUVAN UNIVERSITY
त्रिभुवन विश्वविद्यालय

INSTITUTE OF FORESTRY
वन विज्ञान अध्ययन संस्थान

OFFICE OF THE DEAN
डीनको कार्यालय

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पत्राचार ठेगाना :
पो. ब. नं. : ४३
हरियो खर्क, पोखरा

Ref. No. : १९९/०२-१/०२२

Office Of Dean
Pokhara

Date :
May 10, 1995

T.R.Upadhya & Co.
Chartered Accountants.
Kathmandu.

Re: Management comments to Audit finding.

Sir,

We have reviewed the audit report and findings of the auditors and provide the following comments.

Internal Control

1. Inadequate Control over assets of IOF

The management has initiated the process of improving the situation and steps have already been taken to update the records of assets of IOF by conducting physical count.

2. Store Accounting System not adequate

Tribhuvan University does not have a comprehensive store accounting procedures. The management will take up the recommendation made with the central office.

6. Procurement Procedures not adequate

Efforts will be made to implement the recommendation as far as practicable.

Comments on Questioned Cost.

The questioned costs were reviewed by us and the said costs were incurred for the operation of the Institute and, therefore, it should not result into disallowable costs. In certain cases the USAID guidelines could not be strictly adhered to because of practical reason.

Certain expenses such as refreshment & entertainment costs though questionable under OMB circulars are eligible under T.U. regulations.

These questioned costs would be reviewed and resolved with USAID Nepal.

Sincerely yours,