

ChildFund Japan, Nepal Office
New Baneshwor, Kathmandu-Nepal

Project: “Nepal Earthquake Emergency Response Project (Alliance Fund)”

**Audit Report
&
Financial Statement**

26 April 2015 to 30 September 2017

**Submitted
by
J. B. Rajbhandary & DiBins
Chartered Accountants**

November 2017

**ChildFund Japan, Nepal Office
New Baneshwor, Kathmandu-Nepal**

Project: "Nepal Earthquake Emergency Response Project (Alliance Fund)"

26 April 2015 to 30 September 2017

Table of Contents

| Descriptions | Page Ref. |
|--|------------------|
| Transmittal Letter | - |
| Executive Summary | 01-04 |
| Independent Audit Opinion | 05 |
| Fund Accountability Statement and Notes to Account | 06-11 |

J . B . Rajbhandary & DiBins

CHARTERED ACCOUNTANTS

2nd Floor (North Wing), Sherpa Mall, Durbar Marg
P.O. Box: 23725, Kathmandu, Nepal
Tel: (01) 4228352, (01) 4247177
Fax: 977-1-4244971
E-mail: jitendrarb@mos.com.np
E-mail: pdjoshi@mos.com.np

19 November 2017

Ms. Aileen Santiago,
Country Director,
ChildFund Japan, Nepal Office,
New Baneshwor, Kathmandu-Nepal.

Sub: Auditor's Report of Project: "Nepal Earthquake Emergency Response Project (Alliance Fund)"

Dear Madam,

We are pleased to inform you that we have completed the audit of Child Fund Japan, Nepal Office for the project : "Nepal Earthquake Emergency Response Project (Alliance Fund)" implemented by ChildFund Japan-Nepal Office (ChildFund NO) for the above said project covering the period from 26 April 2015 to 30 September 2017. We have the pleasure in submitting four hard copies of Independent Auditor's Report.

This report presents results of our financial audit of aforesaid project funded by Alliance members for the period 26 April 2015 to 30 September 2017.

We would like to thank you and all personnel of ChildFund Japan, Nepal Office for the cooperation extended during the course of audit.

Thanking you,

Sincerely yours



CA. Prabin D Joshi
Partner
Place : Kathmandu-Nepal.

ChildFund Japan, Nepal Office
New Baneshwor, Kathmandu, Nepal
Project: “Nepal Earthquake Emergency Response Project (Alliance Fund)”

Executive Summary

1. BACKGROUND

ChildFund Japan is a non-political, non-sectarian, non-governmental, non-profit making humanitarian organization based in Tokyo, Japan. It was established in 2005. It is a child focused organization.

The vision of ChildFund Japan is: “A global society that ensures every child the opportunity to develop their full potential”. ChildFund Japan is committed to promoting the rights of the child through internal development cooperation in the spirit of harmonious co-existence.

On 17th February 2006, ChildFund Japan has entered into a General Agreement with Social Welfare Council (SWC) of the Government of Nepal. Through this agreement, ChildFund Japan established its Nepal Office in June 2006 for the purpose of carrying out the project/ program in the districts as per the directives stipulated in National Plan and Policies of Government of Nepal in partnership with Local Non-Governmental Organization, with prior approval of SWC. The agreement was earlier valid for the period of five years till 16th February 2011 which has been renewed on 21st June 2011 with the validity till 20th June 2016. New agreement has been entered between Social Welfare Council (SWC) and Childfund Japan on 12th February 2016 with the validity for the next 5 years

As per the agreement, ChildFund Japan has agreed to provide funds in the amount of minimum of US\$ 100,000 per annum excluding commodity assistance. ChildFund Japan, Nepal Office has supported projects carried out in partnership with Ramechhap Business and Professional Women (RBPW) working in Ramechhap District, Nepal and projects carried out in partnership with Gramin Mahila Srijansil Pariwar (GMSP) & TUKI Association Sunkoshi working in Sindhupalchowk District, Nepal.

After the devastating earthquake of 25th April 2015 and its continuous aftershocks, ChildFund Japan launched Emergency Response(ER) Program in Sindhupalchowk and Ramechhap in close coordination with DDRC from 1st May 2015. Project agreement amendment proposal incorporating the Emergency Response program was developed and submitted to SWC and was approved on 2nd September 2015, accordingly amended project agreement was signed on 2nd September 2015. ChildFund has drafted a concept note for Response to the Nepal Earthquake on 25th April 2015 which has been revised as required for operation of the project : “Nepal Earthquake Emergency Response Project” covering the period from 26th April 2015 to 31st October 2016. Further, no cost extension has been made till 30th September 2017.

The ultimate outcome of the project is to improve quality of life and well-being (life standard) and the intermediate outcome is i) access to inclusive , quality and equitable education for children affected by disaster, ii) Low mortality and morbidity post-disaster (Child protection and resilient community) , iii) Restore living standard (shelter and Livelihood).



ChildFund has obtained Permanent Account Number from Inland Revenue Office of Government of Nepal (GoN) and it has also obtained tax exemption status from the same office.

ChildFund has appointed J. B. Rajbhandary & DiBins, Chartered Accountants, an independent auditing firm, to conduct audit of the book of accounts for the project : "Nepal Earthquake Emergency Response Project"- Alliance Fund.

J. B. Rajbhandary & DiBins, Chartered Accountants, conducted the financial audit during fourth week of October 2017.

2.1 AUDIT OBJECTIVES -

Main objective of audit is to check project accounts of ChildFund Japan Nepal Office and those relating to projects / programs and administration cost and further testing legitimacy of expenditures leading to auditor's opinion on the project accounts and compliance requirement. Specific objective of the project audit is to come up with auditor's opinions on; a) whether financial statement presents a true and fair picture of revenue and expenditures with generally accepted accounting principles and ChildFund Japan Office's financial position, b) opinion on the legitimacy of expenditures, which is the opinion on compliance, stating whether expenses are legitimate or not. Legitimacy of Expenses is judged in terms of following compliance criteria:

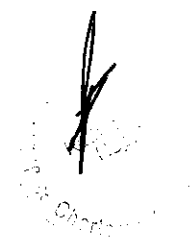
- a. Expenses fit within authorized budgetary frameworks,
- b. Expenses fit within organization goal stipulated in the general and specific agreements,
- c. Expenses are correctly recorded in the administration,
- d. Expenses are not in conflict with relevant statutory rules and regulations,
- e. Expenses are covered by sound documents or other evidence etc.

2.2 AUDIT SCOPE

The audit includes, but not necessarily be limited to, the following:

i Verification Work

- Verification of classification and proper recording of expenses and comparison of the financial statements with books of records and other relevant records.
- Verification of signature of persons authorized to approve financial transactions etc.
- Ensuring that project funds are used exclusively for project expenditures.



ii. Assessment of Internal Control

- Appraisal of the general internal control system and financial policies and monitoring system, if any, and its status.
- Reviewing bank accounts and control over their operation and verification of bank reconciliation statements.
- Reviewing imprest accounts and advances. A list of outstanding advances will be attached showing names, period of outstanding, purpose, amount, and reason for outstanding and expected subsequent settlement time.
- Providing overview of the financial management practices of the organization where necessary.
- Suggesting specific areas for improvement on systems, skills, management capacities and compliance of the organizational by-laws, Emergency Response Financial System and other laws of the land for the purpose of recommendation.

iii. Review of Compliance of laws, rules and guidelines

- Review of compliance with agreements , laws , regulation & Emergency Response Financial System to ensure compliance with payment of all taxes and other laws of the land, such as renewal of registration, obtaining PAN and tax exemption certificate and to ensuring that all instructions of HO has been followed.

The financial statements are the responsibility of the management of ChildFund NO. Our responsibility is to express an opinion on the financial statements as to whether these statements present true and fair view of its operational result and financial position in the given date.

We conducted our audit of project accounts in accordance with Nepal Standards on Auditing based on the instructions for project accounting including financial guidelines and TOR provided to us and accordingly included such tests on ChildFund's financial data, records, examination of evidence supporting legitimacy of expenditures, disclosure in financial statement, assessing accounting principles used, significant calculation made as well as evaluating overall presentation of the financial statement in accordance with generally accepted accounting standards, and other general auditing procedures which we consider appropriate in order to satisfy our objectives.

This report covers only the financial overview of the project: "Nepal Earthquake Emergency Response Project" funded by Alliance implemented by CFJ NO, not all the activities of CFJ NO.

2.3 AUDIT RESULTS

Opinion on the financial statements

We have not come across any material issues non-consideration of which would result in material misstatement of attached financial statements presented based on books of account maintained by ChildFund, NO for the said project. Accordingly, we have issued unqualified opinion on the financial position as at 30st September 2017 and result of its operation for the period ended on that date. Our audit opinions are given in **Page 5**.



Opinion on internal control system

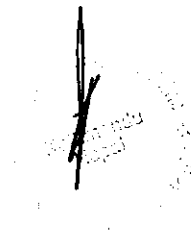
We have reviewed the internal control system of ChildFund for Alliance funded Project during the course of our audit. We have not come across any significant internal control weakness, which may lead to material misstatement in the financial statement. Considering the size and volume of the operation of ChildFund NO, we are of the opinion that the internal control system is considered to be adequate. We have issued separate management letter on the even date of this report.

Opinion on compliance

Our test for compliance with Emergency Response Financial System, agreement terms, laws and regulation of sampled transactions and records of ChildFund indicate that it has generally complied with those provisions of Emergency Response Financial System, agreement terms as well as applicable laws and regulations for the project period.

2.4 ACKNOWLEDGEMENT

We take this opportunity to thank all personnel of ChildFund, NO for the cooperation extended during the course of our audit.



J . B . Rajbhandary & DiBins

CHARTERED ACCOUNTANTS

2nd Floor (North Wing), Sherpa Mall, Durbar Marg
P.O. Box: 23725, Kathmandu, Nepal
Tel: (01) 4228352, (01) 4247177
Fax: 977-1-4244971
E-mail: jitendrarb@mos.com.np
E-mail: pdjoshi@mos.com.np

Independent Auditor's Report

Introduction

We have audited attached Fund Accountability Statement of **ChildFund Japan, Nepal Office** prepared on the basis of fund received and expenditure incurred thereof covering the period from 26th April 2015 to 30th September 2017 for financing activities related to the agreement for the implementation of the Alliance funded project : "Nepal Earthquake Emergency Response Project (Alliance Fund)".

Management's Responsibility for the financial statements

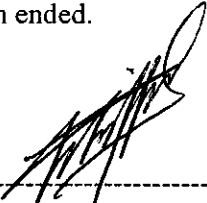
Management is responsible for fair presentation of these financial statements in accordance with Generally Accepted Accounting Standards (local GAAP) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error. Our responsibility is to express an opinion on these financial statements.

Scope

We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing 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 with notes to account present a true and fair view of the financial position of the project as at 30th September 2017 and its operational result for the project period then ended.



CA. Prabin D Joshi
Partner
Place: Kathmandu, Nepal
Date: 19th November 2017

ChildFund Japan, Nepal Office
New Baneshwor, Kathmandu Nepal
Nepal Earthquake Emergency Response Project (Alliance Fund)

Fund Accountability Statement (FAS)
26 April 2015 to 30 September 2017

Amount in NRs.

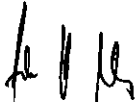
| S.N | Particulars | Sch | 26 April 2015 to 30 September 2017 | |
|--|---|-----|------------------------------------|-----------------------|
| | | | Actual Amount | Approved Budget |
| RECEIPTS: | | | | |
| 1 | Emergency Remittance from HO and contribution from CCFC and New Zealand grant | 5 | 114,530,074.94 | 114,186,275.71 |
| Total Receipts | | | 114,530,074.94 | 114,186,275.71 |
| EXPENDITURES : | | | | |
| A Direct Program Cost (DPC) | | | | |
| 1 | Food (Grain + Transportation) | | 5,730,563.40 | 5,730,563.40 |
| 2 | Shelter (Materials + Transportation) | | 7,078,644.26 | 7,078,644.26 |
| 3 | Education (TIS+Teachers and Students) | | | |
| 3 | Supplies+Classroom Renovation/ Reconstruction and Classroom Management) | 6 | 43,651,426.11 | 51,827,055.44 |
| 4 | WASH (Latrine + Drinking Water) | 7 | 4,121,295.66 | 6,399,999.99 |
| 5 | Child Protection/ Child Centered Spaces (Shelter + Materials + Training) | 8 | 296,745.34 | 496,745.34 |
| 6 | Livelihood Support | 9 | 1,071,421.70 | 1,527,836.70 |
| 7 | Training: Child Protection / DRR | 10 | 536,474.62 | 489,498.62 |
| 8 | Staff Training / Capacity Building | 11 | 1,481,659.83 | 2,087,431.15 |
| Sub Total (DPC) | | | 63,968,230.92 | 75,637,774.90 |
| B Program Support Cost (PSC) | | | | |
| 1 | Monitoring / Support cost | | 3,017,966.39 | 3,058,076.18 |
| 2 | Public relation | | 1,393,052.00 | 1,270,000.00 |
| 3 | Government liaison/ Representation | | 177,169.51 | 260,000.00 |
| 4 | Staffing | | 13,443,021.30 | 14,452,764.79 |
| Sub Total (PSC) | | | 18,031,209.20 | 19,040,840.97 |
| C Indirect Program Support (IPC) | | | | |
| 1 | Audit and Evaluation | | 1,649,283.15 | 2,568,560.00 |
| 2 | Administration (Nepal Office) | | 6,186,148.57 | 6,722,445.51 |
| 3 | Vehicle | | 5,779,484.22 | 5,792,482.70 |
| 4 | Administration (Partner NGOs) | | 4,628,594.81 | 4,424,171.63 |
| Sub Total (IPC) | | | 18,243,510.75 | 19,507,659.84 |
| Total Disbursements | | | 100,242,950.87 | 114,186,275.71 |
| Excess Of Receipts Over Disbursements | | | 14,287,124.07 | - |

Notes to Fund Accountability Statement (FAS) Schedule 1- 12 Form integral part of this Statement

12

Balance representative by:

| Particulars | Sch | Amount |
|-------------------------------|-----|----------------------|
| Bank and Cash | 1 | 14,149,999.09 |
| Accounts Payable to Suppliers | 2 | (601,889.50) |
| Project Advances | 3 | 880,264.48 |
| Accrued Expenses | 4 | (141,250.00) |
| Total | | 14,287,124.07 |


Aileen H. Santiago
Country Director


Anita Shrestha
Admin and Finance Manager

As per our report on even date:


CA Prabin D. Joshi
Partner

J. B. Rajbhandary & DiBins
Chartered Accountants

ChildFund Japan, Nepal Office
New Baneshwor, Kathmandu Nepal
Nepal Earthquake Emergency Response Project (Alliance Fund).
26 April 2015 to 30 September 2017

Schedules Forming Part of the Fund Accountability Statement (FAS)

| Bank and Cash | | Schedule - 1 |
|---------------|-----------------------------|----------------------|
| S.N | Particulars | Amount in NRs. |
| 1 | CFJ Program (1901017500479) | 13,971,141.16 |
| 2 | Cash on hand (in cheques) | 178,857.93 |
| | Total | 14,149,999.09 |

| Accounts Payable to Suppliers | | Schedule - 2 |
|-------------------------------|--|-------------------|
| S.N | Particulars | Amount in NRs. |
| 1 | Dev Interior Pvt. Ltd. (Wall Partition) | 40,903.00 |
| 2 | Dev Interior Pvt. Ltd. (MPL ceiling board) | 59,158.50 |
| 3 | Ankhu Enterprises | 265,303.00 |
| 4 | Real Furniture Industries | 236,525.00 |
| | Total | 601,889.50 |

| Project Advances | | Schedule - 3 |
|------------------|--|-------------------|
| S.N | Particulars | Amount in NRs. |
| 1 | Ramecchap Business & Professional Women (RBPW) | 506,605.19 |
| 2 | Tuki Association Sunkoshi (Tuki) | 345,472.15 |
| 3 | Gramin Mahila Srijansil Pariwar (GMSP) | 28,187.14 |
| | Total | 880,264.48 |

| Accrued Expenses | | Schedule - 4 |
|------------------|--------------|-------------------|
| S.N | Particulars | Amount in NRs. |
| 1 | Audit fee | 141,250.00 |
| | Total | 141,250.00 |

| Remittance from HO | | Schedule - 5 |
|--------------------|---|-----------------------|
| S.N | Particulars | Amount in NRs. |
| 1 | Remittance from HO | 111,343,435.23 |
| | Remittance in May 2015 | 11,722,718.49 |
| | Remittance in June 2015 | 27,034,801.11 |
| | Remittance in July 2015 | 15,460,033.18 |
| | Remittance in August 2015 | 7,599,409.88 |
| | Remittance in September 2016 | 15,973,470.07 |
| | Remittance in October 2016 | 33,553,002.50 |
| 2 | Contribution of CCFC Canada Fund (livelihood, training and ER Project) | 1,399,299.43 |
| 3 | Contribution fund balance of New Zealand grant (Tripurasundari school reconstruction) | 1,787,340.28 |
| | Total | 114,530,074.94 |

Sharma

fc

[Signature]

ChildFund Japan, Nepal Office
 New Baneshwor, Kathmandu Nepal
 Nepal Earthquake Emergency Response Project (Alliance Fund)
 26 April 2015 to 30 September 2017

Schedules Forming Part of the Fund Accountability Statement (FAS)

Education (TLS+Teachers and Students Supplies+Classroom Renovation/ Reconstruction and Classroom Management)

Schedule 6

| S.N | Particulars | Amount in NRs. |
|-----|---|----------------------|
| 1 | Temporary Learning Spaces (TLS) | 87,395.00 |
| 2 | School supplies (Teachers /Students supplies) | 3,490.00 |
| 3 | Dignity kit | 723,246.02 |
| 4 | Classroom management | 7,078,301.19 |
| 5 | School construction package | 16,923,155.52 |
| 6 | School renovation package | 16,606,739.32 |
| 7 | Library facility | 609,267.66 |
| 8 | Office facility | 572,600.00 |
| 9 | Construction Support Activity | 1,047,231.40 |
| | Total | 43,651,426.11 |

WASH (Latrine + Drinking Water)

Schedule 7

| S.N | Particulars | Amount in NRs. |
|-----|----------------|---------------------|
| 1 | Toilet | 3,741,906.26 |
| 2 | Drinking water | 379,389.40 |
| | Total | 4,121,295.66 |

Child Protection/ Child Centered Spaces (Shelter + Materials + Training)

Schedule 8

| S.N | Particulars | Amount in NRs. |
|-----|---|-------------------|
| 1 | CCS (Shelter +Materials + Transportation) | 88,291.88 |
| 2 | CCS Volunteer Training | 27,341.46 |
| 3 | CCS Volunteer Allowance | 61,000.00 |
| 4 | CCS - Snacks for Children | 120,112.00 |
| | Total | 296,745.34 |

Livelihood Support

Schedule 9

| S.N | Particulars | Amount in NRs. |
|-----|-------------------------|---------------------|
| 1 | Agriculture / Livestock | 1,054,396.70 |
| 2 | Skill training | 17,025.00 |
| | Total | 1,071,421.70 |

Shin

he

[Signature]

ChildFund Japan, Nepal Office
New Baneshwor, Kathmandu Nepal
Nepal Earthquake Emergency Response Project (Alliance Fund)
26 April 2015 to 30 September 2017

Schedules Forming Part of the Fund Accountability Statement (FAS)

Training: Child Protection / DRR **Schedule 10**

| S.N | Particulars | Amount in NRs. |
|-----|---|-------------------|
| 1 | Psychosocial Counseling Training | 98,326.96 |
| 2 | Child Protection Training | 137,560.47 |
| 3 | DRR Training (Community based DRR) | 253,611.19 |
| 4 | School Safety Preparedness Training (materials) | 46,976.00 |
| | Total | 536,474.62 |

Staff Training / Capacity Building **Schedule 11**

| S.N | Particulars | Amount in NRs. |
|-----|--|---------------------|
| 1 | Child Protection Training | 136,512.00 |
| 2 | EIE / DRR Technical Training | 210,394.15 |
| 3 | Psychosocial Counseling Training | 13,675.00 |
| 4 | Disaster Training (Essential Humanitarian Practice /Manage Project in Emergency) | 246,850.00 |
| 5 | Workshop/ Training / Meeting | 874,228.68 |
| | Total | 1,481,659.83 |

Amits

h

[Signature]

Child Fund Japan, Nepal Office (CFJ NO)
Nepal Earthquake Emergency Response Project (Alliance Fund)
26 April 2015 to 30 September 2017

Schedule Forming Part of the Fund Accountability Statement (FAS)

Schedule-12

Notes to Fund Accountability Statement (FAS)

1. ChildFund Japan Nepal Office (CFJ NO) has been implementing the "Nepal Earthquake Emergency Response Project" with financial support of various donors from 26 April 2015 in Sindhupalchok District (Pangretar, Dhuskun Tauthali and Petku VDCs) and Ramechhap District (Rampur VDC, Ramechhap Municipality)
2. ChildFund Japan Nepal Office has signed Project Agreement with Social Welfare Council in May 2016. This project is one of the components of the Project Agreement. Subsequently, ChildFund Japan Nepal Office has obtained approval from National Reconstruction Authority (NRA) to implement construction work in the Earthquake affected areas.
3. ChildFund has drafted a concept note for the Response to the Nepal Earthquake on April 25, 2015 which has been revised as required to adjust to the needs of the "Nepal Earthquake Emergency Response Project" covering the period from 26 April 2015 to 31 October 2016. Further, the project duration has been extended till 30 September 2017.
4. Receipts of the fund is recognized on cash basis whereas expenditures are booked on cash and accrual basis.
5. The Alliance Fund is considered as ER general fund for the implementation of Nepal Earthquake Emergency Response Project. The disbursement of fund for the New Zealand government grant and Canada government grant project was first made from the ER general fund since the purchase of the relief items were made in bulk for all the assisted areas. The corresponding expenditure related to this grant projects were paid to the ER general fund accordingly.
6. CFJ NO has maintained separate books of account for Alliance Fund. During the period of 26 April 2015 - 30 September 2017, total fund amounting to NRs. 114,530,074.94 was received in designated project bank account of ChildFund Japan, Nepal Office in which 111,343,435.23 was remitted from ChildFund Japan Head Office; NRs. 1,399,299.43 was contribution of Christian Children Fund of Canada (CCFC) transferred on 31.03.2017 and the NRs. 1,787,340.28 was New Zealand grant fund balance approved to be used for school construction and was transferred on 07.09.2017.
7. CFJ NO has designated a separate bank account to Alliance Fund. During the period of 26 April 2015 - 30 September 2017, total fund of NRs.114,530,074.94 has been received. Total expenditure incurred during the period is NRs. 100,242,950.87 with fund balance of NRs. 14,287,124.07 which is represented by:

| <u>Particulars</u> | <u>Amount (NRs.)</u> |
|-------------------------------|----------------------|
| Bank and Cash Balance | 14,149,999.09 |
| Accounts payable to Suppliers | (601,889.50) |
| Project Advance | 880,264.48 |
| Accrued Expenses | (141,250.00) |
| Total | 14,287,124.07 |

Sharma

H

[Signature]

8. The Account Payables to Suppliers represent the 5 % of retained amount of payment to the various suppliers (NRs. 265,303 for Ankhu Enterprises, NRs. 236,525 for Real Furniture Industries and NRs. 59,158 for MPL ceiling board and Rs. 40,903 for wall partition of Dev Interior Pvt. Ltd.) who supplied, delivered, installed and fabricated the construction materials to the schools. This retained amount is to ensure warranty that suppliers will correct possible defects within the six months defect liability period.
9. The Accrued Expenses amounting of NRs 141,250.00 is related to the audit of Alliance fund and ChildFund Korea fund.
10. CFJ NO staff salary was charged to ER Project based on their time contribution to the project May 2015 to September 2017. The percentage of salary of two project staff (Emergency Response Coordinators) was divided to Canada Grant and Alliance Fund from May 2015 to September 2015. Similarly, the salary of three project staff was divided to ChildFund Korea project Fund and Alliance Fund from June 2016 - August 2017.
11. Alliance Fund for the project is a grant contributed by ChildFund Alliance member.
12. CFJ-NO has obtained tax exemption certificate from the Government of Nepal (GON). Accordingly, there is no existing tax liability while preparing the financial statement. Withholding tax as required under Income -Tax Act has been made and deposited to the appropriate revenue authority.
13. Purchase costs of recurring inventory items are expensed off at the time of payment.
14. All VAT has been expensed off.
15. There is no contingent liability nor have there been any related parties transactions that required disclosure.

Shrestha

A