

Audited Project Financial Statements

Project Number: 48218-006

Loan/Grant Number: Loan 4211, Grant 0845, Grant 0846

Period covered: 2 December 2022 to 16 July 2023

Nepal: Nuts and Fruits in Hilly Areas Project

Prepared by Department of Agriculture, Ministry of Agriculture & Livestock Development

For the Asian Development Bank

Date accepted by ADB: 22 March 2024

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the Department of Agriculture, Ministry of Agriculture & Livestock Development.



महालेखापरीक्षकको कार्यालय
Office of the Auditor General

बबरमहल, अनामनगर, काठमाण्डौ, नेपाल

Babarmahal, Anamnagar, Kathmandu, Nepal

Reference No: 2080/81/72

Date: March 19, 2024



Subject: AUDITOR'S REPORT ON THE AUDIT OF PROJECT FINANCIAL STATEMENTS

To,
The Secretary,
Ministry of Finance,
Singh Durbar, Kathmandu.

Opinion

We have audited the financial statements of **Nuts & Fruits in Hilly Areas Project**, financed under ADB Loan No: 4211-NEP (COL), ADB Grant No: 0845-NEP, GAFSP GRANT 0846-NEP), which comprise the Project Financial Statements for the fiscal year 2022/2023 (NFY 2079/2080) and a summary of significant accounting policies and notes related to the project financial statements.

In our opinion, the accompanying project financial statements of the Project for the year ended 16th July, 2023 (31st Ashad 2080) are prepared in all material respects, in accordance with the financial reporting provisions and Government Accounting Standards. We found that the expenditures and any other resources incurred for the Project are utilized for the intended purpose as per the loan and grant agreements of the project.

Basis for Opinion

We conducted our audit in accordance with Nepal Government Auditing Standards (NGASs) that are substantially in compliance with INTOSAI Framework of Professional Pronouncements. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Project in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Project Financial Statements.

Management is responsible for the preparation of the project financial statements in accordance with the financial reporting provisions of applicable financial reporting framework – Government Accounting Standards 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.

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"जनहितका लागि जवाफदेहिता, पारदर्शिता र निष्ठा प्रवर्धनमा विश्वसनीय लेखापरीक्षण संस्था"



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In preparing the project financial statements, management is responsible for assessing the Project's ability to continue as agreed, disclosing matters as applicable, unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

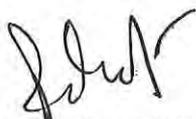
Those charged with governance are responsible for overseeing the Project's financial reporting process.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the project financial statements of the current period. Those matters were addressed in the context of our audit of the project financial statements and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There are no key audit matters to be communicated in the auditor's report except these included in the separate management letter sent to you on 19 March, 2024.

Auditor's Responsibilities for the Audit of the Project Financial Statements

Our objectives are to obtain reasonable assurance about whether the project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with NGASs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



.....
(Padam Raj Poudel)
Deputy Auditor General



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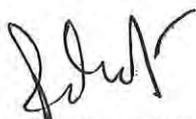
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.....
(Padam Raj Poudel)
Deputy Auditor General



Government of Nepal
Ministry of Agriculture & Livestock Development
Department Of Agriculture
National Centre For Fruit Development
Nuts & Fruits In Hilly Area Project
Central Project Management Unit (CPMU)



ADB Loan 4211-NEP (COL), Grant-845-NEP(SF), Grant-846-NEP(EF)

Notes to the project financial statements accounting policies and explanatory notes

1. Project Background:

The project will increase agricultural income of approximately 40,000 beneficiary farm households in 100 municipalities in hilly areas of five provinces Koshi, Bagmati, Gandaki, Karnali and Sudurpashchim. This will be achieved through (i) the development of approximately 10,000 hectares (ha) of fruit and nut orchard, value-addition to nuts and fruits produced by 30,000 households, and institutional capacity building for nursery and horticulture sector management; and (ii) vegetable and other nutritious crop production in 1,000 ha and its marketing by 10,000 smallholder households who are not capable of investing in fruit and nut orchard development in the project provinces.

The project is aligned with the following impacts: (i) livelihoods of rural households improved; and (ii) resilience of farmers to climate change improved. The project will have the following outcome: farming increased. This will be achieved through improved nursery management, enhanced production and productivity in orchards, enhanced value addition and commercialization of fruits and nuts. The project will also support smallholders in the same project areas, who would not have been able to invest in commercial fruit and nut farming, to generate income through vegetable and other crop farming.

Total project costs is USD 93.45 million of which, ADB Loan USD 60.0 million, ADF grant USD 10 million, Global Agriculture and Food Security Program (GAFSP) Grant USD 9.0 million and GON fund USD 14.45 million.

The loan agreement was signed on 7 November 2022, and became effective on 2Dec 2022 and loan closing date is 28 February 2030. ADB Grant 0845 NEP was signed on 7 November 2022 , became effective on 2 December 2022 and Grant closing date is 28 February 2030, Similarly, Grant 0846 was signed on 7 November 2022 , became effective 2 December 2022 and Grant closing date is 28 February 2030.

The project will have three outputs: Output 1: Institutional capacity for nursery and horticulture sector management improved, Output 2: Production and productivity of project farmers increased, Output 3. Value addition to hilly area horticulture produce enhanced.

2. Project Management Arrangement:

Ministry of Agriculture and Livestock Development (MOALD) is the executing agency. There is a Project steering committee (PSC) at the federal level and provincial project steering committee (PPSC) in each of respective provincial agriculture ministries in koshi, Bagmati, Gandaki, Karnali and Sudurpashchim. There are seven implementing agencies to implement the project.

- 1) Central Project Management Unit (CPMU) under National Center for Fruit Development (NCFD)
- 2) DOAD, Ministry of Agriculture, Koshi,
- 3) DOAD, Ministry of Agriculture and Livestock Development, Bagmati
- 4) DOAD, Ministry of Land Management, Agriculture, Cooperatives and Poverty Alleviation, Gandaki
- 5) DOAD, Ministry of Land Management, Agriculture and Cooperatives, Karnali
- 6) DOAD, Ministry of Land Management, Agriculture and Cooperatives, Sudurpashchim
- 7) Nepal Agricultural Research Council (NARC)



3. Fund Flow Mechanism

Annual program and budget is reflected and approved in the Line Ministries Budget Information System (LMBIS). GON Fund and GON reimbursable fund is received from the GON through Treasury Single Account (TSA) system. There is also Electronic Fund Transfer system for the payment under TSA system. Advance Account has not been established yet. Advance Account will be managed in accordance with ADB's Loan Disbursement Handbook 2022 and as per the provision specified in the loan and grant agreements. The Central Project Management Unit (CPMU) will submit withdrawal applications to ADB for eligible expenditure for reimbursement, replenishment and direct payment.

4. Basis of Accounting

The Project has maintained accounts according to the GON accounting standard on a cash basis of accounting.

5. Sources and Application

Project Financial Statement (Main sheet) reflects the figures as Source and Uses of Fund. GON fund, GON reimbursable fund, ADB Grant, ADB Loan and GAFSP Grant are the main sources of the project. Category wise total expenditure are shown in the Uses of Fund. GON expenditure heads are grouped in the respective donor's category as per Note-1 of the project financial statement.

6. Previous Year /Cumulative up to the current FY

The Project Financial Statement shows previous year column to show only the comparison between current year and previous year's data. Similarly, Cumulative up to the current FY is shown for cumulative purpose by adding cumulative up to previous year and current year's data.

7. Advance:

Advances are treated as expenditure.

8. Foreign Currency Transaction:

There is no foreign currency transaction in this FY.

9. Recognition of Project Expenditure Value Date:

Actual date of financial transaction (cheque issue date) is considered as value date for the expenditure done by the project in Nepalese Currency.

10. Exchange Rate Applicable:

Buying rate (exchange rate) will be applied for the unspent balance (USD) in the advance account at the end of FY to convert it in Nepalese rupees. But the project has no Advance Accounts (USD) operated in this FY.

11. Nepalese Fiscal Year:

FY 2022/23 started from 17 July 2022 and ended on 16 July 2023. The figures mentioned in this Project Financial Statement are within this reporting period.

12. Retroactive financing:

There was no expenditure under retroactive financing of the project and no Withdrawal Applications were claimed under this financing.

13. **Reporting currency:**

The reporting currency is in Nepalese Rupees- NRs (currency of Nepal). There is no disbursement from ADB in FY 2022/23.

14. **Intended purpose:** ADB loan and grants have been used for intended purpose of the project. .

15. **Date of Authorization:** These financial statements have been authorized for issue by Nuts & Fruits In Hilly Areas Project, CPMU, Kirtipur, Kathmandu, on 15 February 2024.



Bhawani Giri
Account Officer
NAFHA



Dr. Shanta Karki
Project Director
NAFHA
Project Director



Government of Nepal
Ministry Of Agriculture & Livestock Development
Department of Agriculture
Nuts & Fruits In Hilly Areas Project
ADB LOAN 4211-NEP(COL), ADB GRANT 0845-NEP, GAFSP GRANT 0846-NEP
Project Financial Statement
FY 2022/2023 (FY 2079/80)
Period covered from 2 December 2022 to 16 July 2023



Amount in NRs

	Note	Up to previous year	Previous Year	Current Year	Cumulative up to current year
Sources					
GON Fund	2	-	-	13,333,666.75	13,333,666.75
GON Reimbursable Fund ADB Loan	2	-	-	17,636,600.58	17,636,600.58
GON Reimbursable Fund ADB Grant	2	-	-	52,744,341.14	52,744,341.14
GON Reimbursable Fund GAFSP Grant	2	-	-	2,126,571.20	2,126,571.20
ADB Loan	3	-	-	-	-
ADB Grant	3.A	-	-	-	-
GAFSP Grant	3.B	-	-	-	-
Advance Account Replenishable (ADB Loan)	4	-	-	-	-
Sub-Total (A)		-	-	85,841,179.67	85,841,179.67
Advance Account Initial Deposit (Loan)	4	-	-	-	-
Exchange Gain/Loss (Loan)	4	-	-	-	-
Sub total (B)		-	-	-	-
Total (A+B)		-	-	85,841,179.67	85,841,179.67
Uses of Fund					
1. Works Horticulture Station	1				
1.A Works Horticulture Station and other works	1			227,309.00	227,309.00
1.B Works for matching grant-local level infrastructure	1				
2. Consulting services	1				
3. Equipment and materials	1			10,177,116.00	10,177,116.00
4. Capacity building	1			6,243,582.00	6,243,582.00
5. Credit Gurantee Fund	1				
6. Matching grant	1				
7. Partiai Subsidies for farmers and cooperatives	1				
7.A All partial Subsdies for farmers and cooperatives	1				
8.Planting survival incentives	1				
9. Remuneration for contractual staff	1				
10. Operation and maintenance	1				
11. Project Administration expenses	1			15,277,697.78	15,277,697.78
12.Capacity Building for farmers and cooperatives Grant)	1				
13.Vehicles (Grant)	1			53,915,474.89	53,915,474.89
14. Consulting services for project implementation infrastructure,design supervision and survey (GAFCP Grant)	1				
15. Capacity Building for farmers and cooperatives (GAFCP Grant)	1				
16. Partial subsidies for farmers and cooperatives (GAFCP Grant)	1				
Sub total				85,841,179.67	85,841,179.67
Sub-Total(A)		-	-		
Advance Account Balance (Grant)	4	-	-	-	-
Outstanding Replenishment (Grant)	4	-	-	-	-
Sub total (B)		-	-	-	-
Total (A+B)		-	-	-	-

(Bhawani Giri)
Account Officer
NAFHA

(Dr.Govinda Prasad Sharma)
Secretary
Ministry of Agriculture & Livestock Development

Dr.Shanta Karki
Project Director
NAFHA

Project Director
(Hari Prasad Mainali)
Financial Comptroller General
Financial Comptroller General Office

(Dr.Hari Bahadur K.C.)
Director General
DOA

Dr. Hari Bahadur K.C.
Director General

(Lok Bahadur Bohara)
Under Secretary (Account)
MOALD

Padam Raj Poudel
Deputy Auditor General
Office of the Auditor General

Government of Nepal
Ministry Of Agriculture & Livestock Development
Department of Agriculture
Nuts & Fruits In Hilly Areas Project
ADB LOAN 4211-NEP(COL), ADB GRANT 0845-NEP, GAFSP GRANT 0846-NEP



Note: 1

FY 2022/23 (2079/80)

The project has maintained accounts as per the GON accounting system, that is on cash basis. All disbursements including advances are treated as expenditures. The project accounts has been compiled from GON accounting records.

Budget Item	Budget Expenditure as per Category	Cumulative up to previous year	Previous year	Current year	Cumulative up to Current year
ADB loan					
A Works -Horticulture station					
	Works- Horticulture station and other works			227,309.00	227,309.00
	Works- matching grants for local level infrastructure			0	0
	Sub total			227,309.00	227,309.00
B Consulting services					
	Capital consulting services				
	Sub total				
C Equipment and materials					
31122	Plant & Machinery			8,208,944.00	8,208,944.00
31123	Furniture & Fixtures			1,968,172.00	1,968,172.00
	Sub Total			10,177,116.00	10,177,116.00
D Capacity Building					
22511	Skill Development & Awareness seminar Exp.			6,243,582.00	6,243,582.00
22512	Training for others				
	Sub total			6,243,582.00	6,243,582.00
E Credit Gurantee Fund					
	Sub total				
F Matching grant					
	Sub total				
G Partial subsidies for farmers and cooperatives					
	Sub total				
H All partial subsidies for farmers and cooperatives					
	Sub total				
I Planting survivals incentives					
	Sub total				
J Remuneration for contractual staff					
	Sub total				
K Operation and Maintenance					
	Sub total				
Grant 0845 NEP					
Capacity Building for farmer groups and cooperatives (Grant)					
22512	Training for others				
	Sub total				
31121	Vehicles			53,915,474.89	53,915,474.89
	Sub total			53,915,474.89	53,915,474.89
GAFSP Grant (Grant 0846)					
Consulting services for project implementation , infrastructure,					
	Sub total				
Capacity Building for farmer groups and cooperatives (GAFSP Grant)					
	Sub total				
Partial subsidies for farmers and cooperatives Scheme -2					
	Sub total				
F Project Administration Expenses					
21111	Employee Salary			1,811,884.10	1,811,884.10
21121	Uniform			40,000.00	40,000.00
21132	Dearness Allowance				
21134	Employee Meeting Allowance			1,509,000.00	1,509,000.00
21141	Official Meeting Allowance			5,000.00	5,000.00
21213	Contributory Insurance Fund Exp.				
22111	Water and Electricity			223,702.00	223,702.00
22112	Communication			56,555.00	56,555.00
22211	Fuel (Official)			1,432,106.00	1,432,106.00
22212	Fuel (Office Purpose)				
22213	Maintenance Vehicle			855,661.00	855,661.00
22214	Insurance & Renewal expenses			290,000.00	290,000.00
22221	Operation & Maintenance of machine			286,950.00	286,950.00
22229	Maintenance of Fixed Assets			742,773.00	742,773.00
22311	General Office expenses			2,281,083.20	2,281,083.20
22314	Fuel-for other purpose			47,912.00	47,912.00
22315	Newspaper,Printing & Informatin Pub.			1,251,330.00	1,251,330.00
22411	Services and consulting Expenses				
22412	Information System & Software Opera.				
22413	Contract Service Fee			609,878.00	609,878.00
22522	Program Expenses			820,299.00	820,299.00
22611	Monitoring & Evaluation Expense			951,036.00	951,036.00
22612	Travelling Expenses			476,100.00	476,100.00
22711	Miscellaneous Expenses			1,586,428.48	1,586,428.48
	Sub-Total			15,277,697.78	15,277,697.78
	Grand Total			85,841,179.67	85,841,179.67

Budget Head: 31201113	
Recurrent	21,521,279.78
Capital	64,319,899.89
Total NRs	85,841,179.67

(Bhawari Giri)
Account Officer

(Dr. Shanta Karki)
Project Director

Skarki

Project Director

Government of Nepal
Ministry of Agriculture & Livestock Development

Department of Agriculture

NUTS & FRUITS IN HILLY AREAS PROJECT
ADB LOAN 4211-NEP(COL), ADB GRANT 0845-NEP, GAFSP GRANT 0846-NEP
Statement of GON Fund & GON Reimbursable Fund



Note: 2

Note	Particulars	Up to previous year	Previous Year	Current Year	Cumulative up to Current Year
H					
	GON Fund				
	GON Fund	-	-	13,333,666.75	13,333,666.75
	Less: Unspent balance GON fund				
	Total GON fund (A)	-	-	13,333,666.75	13,333,666.75
	GON Reimbursable Fund				
	GON Reimbursable Fund ADB Loan	-		17,636,600.58	17,636,600.58
	Less: Unspent balance GON Reimbursable Fund				
	Less: Advance Fund Transfer to GON Central Account Loan (Ka-7-15)				
	Reimbursed from ADB				-
	Gon Reimbursable fund (Loan) -(B)	-	-	17,636,600.58	17,636,600.58
	GON Reimbursable Fund ADB(Grant)			52,744,341.14	52,744,341.14
	Less: Unspent balance GON Reimbursable Fund	-	-	-	-
	Less: Advance Fund Transfer to GON Central Account -Grant (Ka-7-17)	-	-	-	-
	Reimbursed from ADB	-	-	-	-
	GON Reimbursable Fund (Grant)-(C)	-	-	52,744,341.14	52,744,341.14
	GON Reimbursable Fund GEFSP(Grant)	-	-	2,126,571.20	2,126,571.20
	Less: Unspent balance GON Reimbursable Fund	-	-	-	-
	Less: Advance Fund Transfer to GON Central Account -Grant (Ka-7-17)	-	-	-	-
	Reimbursed from ADB	-	-	-	-
	GON reimbursable fund GEFSP Grant (D)			2,126,571.20	2,126,571.20
	Total Fund (A+B+C+D)	-	-	85,841,179.67	85,841,179.67


(Bhawani Giri)
Account Officer


(Dr. Shanta Karki)
Project Director
Project Director

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Ministry of Agriculture & Livestock Development

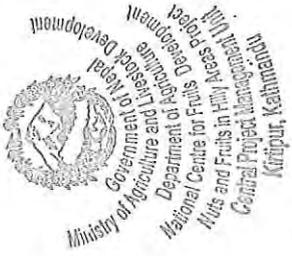
Department of Agriculture

Nuts & Fruits In Hilly Areas Project

Statement of ADB Loan Disbursement

ADB Loan No: 4211 NEP (COL)

FY 2022/2023 (FY2079/80)



Note : 3

Disbursement Method	Up to previous year		Previous Year		Current Year		Cumulative up to current year	
	USD	NRs.	USD	NRs.	USD	NRs.	USD	NRs.
A. Reimbursement								
Sub-Total								
B. Replenishment								
Sub-Total								
C. Direct Payment								
Sub-Total								
Total disbursement (A+B+C)	-	-						
D. Advance A/C								
Initial Deposit								
Grand Total (A+B+C+D)	-	-			-	-	-	-


 (Bhawani Giri)
 Account Officer


 (Dr. Shanta Karki)
 Project Director

Project Director



Government of Nepal
 Ministry of Agriculture & Livestock Development
 Department of Agriculture
 Disbursement sheet
ADB Grant 0845 NEP
FY 2022/23 (2079/80)

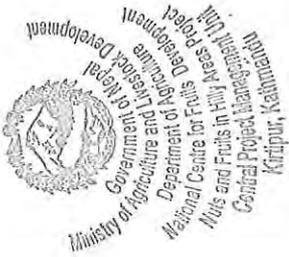
Note 3.A

Value Date	WA No.	Category						Total		Remarks
		01(0301) Civil Works		03 (1501) Equipments		04 (1502) Vehicles		05 (2401) Capacity Building		
		NRS	US\$	NRS	US\$	NRS	US\$	NRS	US\$	
Sub total										Reimbursement
Total (A+B)		-	-	-	-	-	-	-	-	Replenishment
		-	-	-	-	-	-	-	-	Initial Advance
										-

(Signature)
 (Bhawani Giri)
 Account Officer

(Signature)
 (Dr. Shanta Karki)
 Project Director

Project Director



Government of Nepal
 Ministry Of Agriculture & Livestock Development
 Department of Agriculture
 Disbursement sheet
ADB Grant 846 NEP
 FY 2022/23 (2079/80)

Note 3.B

Value Date	WA No.	Category						Total		Remarks
		01(0301) Civil Works		03 (1501) Equipments		04 (1502) Vehicles		05 (2401) Capacity Building		
		NRs	US\$	NRs	US\$	NRs	US\$	NRs	US\$	
Sub total										Reimbursement
Total (A+B)		-	-	-	-	-	-	-	-	Replenishment
		-	-	-	-	-	-	-	-	Initial Advance
										-

Shanti
 (Dr. Shanta Karki)
 Project Director

Project Director

[Signature]
 (Bhawani Giri)
 Account Officer

Government of Nepal
Ministry Of Agriculture & Livestock Development
Department of Agriculture
Nuts & Fruits In Hilly Areas Project
ADB Grant 0741-NEP (SF)



Memorandum of Advance Account (Grant)

Note: 4

Advance Account No: XXXXX (Nepal Rastra Bank, Thapathali Kathmandu)

	Description	Equivalent NRs.	Amount in USD
A	Balance of Advance A/C as at 16 July 2023 as per bank statement (Exchange rate USD 1 = NRS 131.17)		
B	Outstanding Replenishable as at 15 July 2021/22		
	Fund Transfer to GON Central A/C		
	Payment made from Advance account		
	Sub-total		
C	Disbursement During 2022/23		
	Fund Transfer to GON Central A/C		
	Payment made from Advance account		
	Sub-total		
D	Replenishment During 2022/23		
	Fund Transfer to GON Central A/C		
	Payment made from Advance account		
	Sub-total		
E	Liquidation 2022/23		
	Fund Transfer to GON Central A/C		
	Payment made from Advance account		
	Sub-total		
F	Outstanding Replenishment as at July 16, 2023 (B+C-D-E)		
	Fund Transfer to GON Central A/C (
	Payment made from Advance account	-	-
	Sub-total	-	-
G	Exchange gain/loss (A+F)-H	-	-
	Sub-total	-	-
H	Advance Account Initial Deposit (Exchange Rate USD1=XXX)	-	-

No transaction in this FY


(Bhawani Giri)
Account Officer


(Dr. Shanta Karki)
Project Director
Project Director

Government of Nepal
Ministry Of Agriculture & Livestock Development
Department of Agriculture
Nuts & Fruits In Hilly Areas Project

ADB Loan 4211 NEP

Budget VS Actual

Description	Cumulative up to previous Year	Current Year	Cumulative up to current year
Budget allocated for the year		273,778,000.00	273,778,000.00
Expenditure		85,841,179.67	85,841,179.67
%		31.35430154	31.35430154

[Signature]
 (Bhawani Giri)
 Account Officer

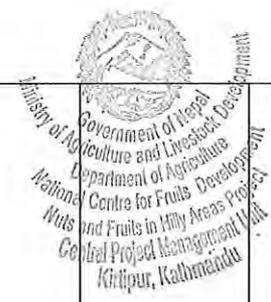
[Signature]
 (Dr. Shanta Karki)
 Project Director
Project Director



**Nuts and Fruits in Hilly Area Project
Central Project Management Unit (CPMU)
Status of compliance of Financial Covenants
ADB Loan**



Article - IV	Description	Complied	Not complied	Ongoing	Not applicable
Section 4.01	In the carrying out of the project and operation of the Project facilities, the borrower shall perform, or cause to be performed, all obligations set forth in schedule 4 to the Loan Agreement.			√	
Section 4.02	(a) The borrower shall (i) maintain separate accounts and records the project; (ii) prepare annual financial statements for the project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare report, which includes the auditors 'opinion(s) on the financial statements and the use of the Grant proceeds, and a Management letter (which sets out the deficiencies in the internal control of project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 9 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.	Separate account has been maintained APFS submitted within the deadline			
	(b) ADB shall disclose the annual audited financial statements for the project and the opinion of the auditors on the financial statement within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website			√	ADB will disclose
	© The borrower shall enable ADB, upon ADB,s request, to discuss the financial statements for the project and the Recipient's financial affairs where they relate to the project with the auditors appointed pursuant to subsection (a) (iii) hereinabove, and shall authorize and require any			√	



	representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Recipient, unless the Recipient shall otherwise agree.				
4.03	The borrower shall enable ADB's representatives to inspect the project, the Goods, works and Services, and any relevant records and documents.			√	

**Status of compliance of Financial Covenants
ADB Grant 0845 NEP**

Article - IV	Description	Complied	Not complied	Ongoing	Not applicable
Section 4.01	In the carrying out of the project and operation of the Project facilities, the borrower shall perform, or cause to be performed, all obligations set forth in schedule 4 to the Grant Agreement.			√	
Section 4.02	(a) The Recipient shall (i) maintain separate accounts and records the project; (ii) prepare annual financial statements for the project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare report, which includes the auditors' opinion(s) on the financial statements and the use of the Grant proceeds, and a Management letter (which sets out the deficiencies in the internal control of project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 9 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these	<p align="center">Separate account has been maintained</p> <p align="center">APFS submitted within the deadline</p>			



	<p>report, which includes the auditors' opinion(s) on the financial statements and the use of the Grant proceeds, and a Management letter (which sets out the deficiencies in the internal control of project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 9 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.</p>				
	<p>(b) ADB shall disclose the annual audited financial statements for the project and the opinion of the auditors on the financial statement within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website</p>				<p>ADB will disclose in its website</p>
	<p>© The Recipient shall enable ADB, upon ADB's request, to discuss the financial statements for the project and the Recipient's financial affairs where they relate to the project with the auditors appointed pursuant to subsection (a) (iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Recipient, unless the Recipient shall otherwise agree.</p>			√	
4.03	<p>The Recipient shall enable ADB's representatives to inspect the project, the Goods, works and Services, and any relevant records and documents.</p>			√	
4.04	<p>The Recipient acknowledges and agrees that this grant agreement entered by ADB, not in its individual capacity, but as grant administrator for GAFSP. Accordingly, the Recipient agrees that (a) it may only withdraw grant proceeds to the extent that ADB has received proceeds for the grant from GAFSP and such proceeds has not been suspended or cancelled in whole or</p>			√	

	<p>in part by GAFSP pursuant to the Transfer Agreement, and (b) that ADB does not assume any obligations or responsibilities of GAFSP in respect of the project or the Grant other than those set out in the Grant Agreement.</p>				
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Bhawari Giri
Account Officer
NAFHA



Dr. Shanta Karki
Project Director
NAFHA
Project Director

