



THE AUDITOR GENERAL'S SIXTY-SECOND ANNUAL REPORT 2025



SUMMARY



Office of the Auditor General
Kathmandu, Nepal

दूरदृष्टि (VISION)



जवाफदेहिता, पारदर्शिता र निष्ठा प्रवर्धन
गर्ने विश्वसनीय सार्वजनिक संस्था

*(Be a Credible Public Institution
in Promoting Accountability,
Transparency and Integrity)*

स्वतन्त्र एवम् गुणस्तरीय
लेखापरीक्षण सेवा प्रदान गर्ने

*(Provide Independent
and Quality Audit Service)*

गन्तव्य (MISSION)



मूल्य मान्यता (Core Values)



स्वतन्त्रता

(Independence)

निष्ठा

(Integrity)

पारदर्शिता

(Transparency)

जवाफदेहिता

(Accountability)

व्यावसायिकता

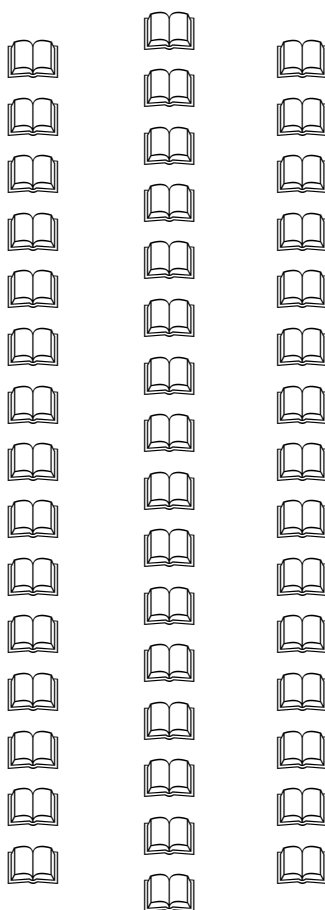
(Professionalism)



The Auditor General's Sixty-Second Annual Report 2025



Summary (Unofficial Translation)



**Office of the Auditor General
Kathmandu, Nepal**

Foreword

The Sixty-Second Annual Report of the Auditor General has been submitted to the Rt. Hon'ble President in accordance with Article 294(1) of the Constitution of Nepal. This summary report has been prepared along with the annual report, including the matters to be disclosed in the annual report as mentioned in the Article 294(2) of the Constitution of Nepal and Section 19(1) of the Audit Act, 2075 BS (2019). In this Report, the Details of Audited Entity, the Status of Irregularities observed during the audit, a summary of the major issues observed during the audit, the Implementation Status of the Audit Reports, and Improvements to be made in the future have been covered in separate chapters. Arrangements have been made to publish the aforementioned reports through the office's website to inform stakeholders about the summary of key audit findings and to promote transparency.



In accordance with Article 241 of the Constitution of Nepal and Section 3 of the Audit Act 2075 (2019), the transaction of fiscal year 2023/24 and audit backlogs of the government offices functioning under the Federation, Provinces and Local Levels, Corporate Bodies wholly-owned by the Government of Nepal, Provincial Governments or Local Levels, and the body or entity specified as to be audited by the Auditor General in Federal Law, have been audited in accordance with laws with due regards to the regularity, economy, efficiency, effectiveness and the propriety thereof. For the management and directing the audit works, an Annual Audit Plan as well as the Ministry/Entity and Office-Level Audit Plans have been prepared, and the audits have been conducted in accordance with the plans complying with the Audit Act, Standards, Guidelines, and Directives/Manuals. For auditing, the Office has adopted risk-based audit approach. Based on risk-based indicators, the Office has performed test of details at field level to audit the high-risk entities/offices, and it has performed the remote auditing using short procedures to audit the low risk entities/offices. All audit activities have been performed by documenting and managing in/through Nepal Audit Management System (NAMS).

For conducting the audits of Wholly Government-Owned Corporate Bodies, the professional auditors obtaining licenses as per law are also involved, and consultations for the appointment of auditors are provided with regards to the audits of Substantially Government-owned Corporate Bodies. In addition to the financial audits, the performance, environmental and information technology audits have also been performed by selecting subjects/issues. The audit observations provided in preliminary reports, which are not settled on the basis of the replies received in accordance with Section 37 of the Financial Procedures and Fiscal Accountability Act, 2076 (2019),

have been included in the Annual Report by acknowledging of the same to the concerned Departmental Ministers and Chief Accounting Officers. For maintaining the audit quality, the system of - conducting discussions with stakeholders, complaint hearings through toll-free number and email, gathering and transmitting information through the FM radio and Office website, compulsorily organizing the audit entry and exist meetings etc. have been adopted. Civil society organizations (CSOs) are involved in performance audits in order to make such audits effective. Likewise, for maintaining the audit quality, the Code of Ethics for Auditors has been formulated along with the establishment of the system for monitoring its implementation status, the audit works have been monitored and supervised by the supervisors in every phases of auditing, and independent quality reviews of some of selective audited files have also been performed. Feedbacks have been received in course of auditing by organizing discussion programs with the Entity/Office Chiefs, Officials of Local Levels, Chief Administrative Officers, Financial Administration Chiefs and stakeholders through virtual medium, and the audit procedures have been improved as per the suggestions received. With regards to the projects implemented under assistances of International Development Partners, the audit reports with opinions are issued by carrying out audits in accordance with the Development Cooperation Agreements.

This year, the audits of federal, provincial government bodies, local levels, organized entities, committees, and other institutions worth NRs. 9 trillion 462.36 billion has been audited inclusive of the transactions of the Federal and Provincial Government Entities and Local Levels, Corporate Bodies, Committees and Other Institutions. From the audits, various conceptual (Saidantik) irregularities as well as the figurative (Lagati) irregularities of NRs. 91.60 billion have been witnessed. Out of the amount, total irregularity of NRs. 47.74 billion (1.54 percent) has been witnessed from the audit of NRs. 3 trillion 106.16 billion of 3 thousand 93 Federal Government Offices. With regards to the Provinces, total irregularity of NRs. 4.20 billion (1.36 percent) has been witnessed from the audit of NRs. 308.56 billion of 1 thousand 165 Offices, and with regards to the Local Levels, total irregularity of NRs. 25.32 billion (2.26 percent) has been witnessed from the audit of NRs. 1 trillion 118.46 billion of 761 fiscal years (inclusive of this year's 753 and 8 audit backlogs). Total irregularity of NRs. 14.33 billion has been witnessed from the audit of NRs. 522.13 billion of 695 Committees and Other Institutions. Likewise, total audit of NRs. 4 trillion 407.05 billion of 45 fiscal years has been completed pursuant to 43 Corporate Bodies. In addition, total audit of NRs. 1 trillion 577.49 billion has been completed with regards to 42 Corporate Bodies in accordance with the consultations provided for auditing.

Compared to the cumulative outstanding irregularity NRs. 669.86 billion remained up to last year, the cumulative outstanding irregularity has reached NRs. 733.19 billion in this year after deducting this year's settled & adjusted amounts and

adding up this year's irregularity. Total NRs. 14.48 billion has been recovered in course of auditing and follow-up audits. The cumulative amount of action to be taken has reached NRs. 551.02 billion as of this year, out of which the revenue arrears are NRs. 472.35 billion, reimbursable foreign grant is NRs. 6.25 billion, reimbursable foreign loan is NRs. 14.33 billion, overdue principal and interest of the guaranteed loan is NRs. 49.37 billion, and audit backlog is NRs. 8.71 billion.

Main objective of our audit is to promote the accountability, transparency, integrity in the public entities. In Chapter 2 of this report the overall topic is provided in a single page under the title of “**Public Accountability from the Outlook of Audit Perspective.**” In the context of audit findings. Likewise, Improvement to be Undertaken in Future has been included in Chapter - 5 of this report by including the suggestions provided under the audit observations of preliminary and final reports and our experiences of the past audits. Suggestions have been presented under 8 headings - Governance Management, Economy, Public Fiscal Management, Public Assets Management, Development Management, Public Administration, Information Technology, and Good Governance. I am confident that the public entities will play effective role in the implementation of the suggestions.

The office is working on institutional and professional capacity development, quality enhancement, internal governance, strengthening relationship with stakeholders and improving professional conduct and practice. Auditing practices have been improved by adopting auditing standards, guidelines, and directives to enhance the quality of audits. Audit works have been performed in such a manner so that the pre-determined results can be achieved through the optimum utilization of limited resources availed to the Office. The office has conducted continuous discussions, contact, and coordination have been held with the Public Accounts Committee and other parliamentary committees under the Federal Parliament and Provincial Assemblies to implement audit recommendations and enhance their impact. In addition, necessary feedbacks have been obtained by conducting interactions and discussions programs with the Chief Accounting Officers, Officials/Employees of Local Levels, various professionals, representatives of industrial and trading organizations, stakeholders, Audit Advisory Committee, media-persons etc. The Office has been formulating the Operating Policies and future Strategic Plan on the basis of such suggestions and the feedback. I expect the supports from the Government of Nepal in obtaining necessary resources as the currently available resources are insufficient to enhance the quality of auditing and perform the work in line with public expectation.

The work of adopting good audit practices, sharing mutual experiences and representing in international arena by the Office has been ongoing through our participation in the International Organization of Supreme Audit Institutions (INTOSAI) and Asian Organization of Supreme Audit Institutions (ASOSAI) and

various working groups of such organizations. The work of improvement in audit quality has been given continuity through the exchange of knowledge, skills, and experiences between the Supreme Audit Institutions and growth in mutual assistances. The Office's relation with such international organizations, institutions and their working groups will be made strong and profound in future days to come.

Lastly, I do believe that the implementation of recommendations provided in this Report will help to maintain good governance in the Government and public entities through the promotion of transparency, accountability and integrity. For this, it is expected that timely deliberations on the annual reports will take place in the Public Accounts Committee of House of Representatives and Accounts Committees of Provincial Assemblies and necessary directives will also be issued to the concerned government entities. I would like to express my sincere gratitude to Rt. Hon'ble the President, Rt. Hon'ble the Vice-President, Rt. Hon'ble Prime Minister, Rt. Hon'ble Speaker of House of Representatives, Rt. Hon'ble Chairperson of National Assembly, Federal Legislature and Provincial Assemblies, Officials of three tiers of Government, Development Partners, Audit Advisory Committee, civil societies, media persons, and other stakeholders for providing guidance, and I am also grateful to the general public for providing feedbacks in course of auditing. I would like to extend special thanks to the office staffs with high recognition to the fulfillment of their job responsibilities in completing the overall audit works and producing the Annual Report.

(Toyam Raya)
Auditor General

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Audit Objectives, Scope and Methodology

1. **Constitutional and Legal Provision** - Article 241(1) of the Constitution of Nepal mandates the Auditor General to carry out the audits of accounts of all Federal and Provincial Government Offices along with the Office of the President and Vice -President, Supreme Court, Federal Parliament, Provincial Assembly, Provincial Governments, Local Levels, Constitutional Bodies, Courts, Office of the Attorney General in accordance with law, having regard to, *inter alia*, the regularity, economy, efficiency, effectiveness and the propriety thereof. In accordance with Article 241(2) of the Constitution, the Auditor General needs to be consulted in the matter of appointment of an auditor to carry out the audit of any corporate body of which the Government of Nepal or Provincial Government owns more than fifty percent of the shares or assets. Article 241(5) of the Constitution stipulates that accounts of any other offices or bodies may be audited by the Auditor General by making provision in Federal Law. Section 3 of the Audit Act, 2075 (2019) stipulates that the Auditor General shall carry out the audits of the Government Offices and the corporate bodies which are wholly owned by any Government of Nepal, Provincial Government or Local Level.

Section 4 of the Audit Act, 2075 (2019) provisions the matters relating to carry out statutory audit by determining the audit method, scope and period along with specifying the facts obtained therefrom, making critical analysis and comments thereon and issuing reports along with audit opinion on the financial statements as per necessity. Section 8 of the same Act specifies the matters to be examined by the Auditor General in auditing, and Section 9 specifies the matters that may be audited in view of propriety. Likewise, Section 19 specifies the matters to be disclosed in Auditor General's Annual Report and Section 21 specifies matters pertaining to the implementation of Audit Report.

2. **Objectives** - The objective of audit is to issue reports witnessed by audits along with suggestions by carrying out the audits of the financial statements, financial transactions, service delivery, legal compliance, performance status and achievement attained of all Government Offices of the Federal, Provincial and Local Level as per the Constitution and other offices of bodies as specified by federal law with due consideration to the regularity, economy, efficiency, effectiveness and propriety thereof, and to promote the accountability, transparency and integrity in the governments and public bodies. To attain the

audit objectives, the audit examination has been performed focusing on the following subject matters, whether:

Financial Audit

- The expenditures for specific purposes within the limits prescribed in accordance with the Appropriation Act and other acts
- the accounts of transaction are maintained as per prescribed formats and reported at the specified time
- the financial statements of the Consolidated Fund and other Government Funds of all three tiers of the governments are prepared as per the prescribed formats and such statement depicts the true state of financial transactions
- the concerned entity has made the budget disbursements on time,
- approval from the authorized officer to make the expenditure
- the liability created has been paid on time
- the evidences relating to items of income or expenditure are sufficient,
- the accounts of the governmental debts, investments and assets and the principal, interest and dividends to be received therefrom or to be owed or paid thereon and paid up are adequately maintained,
- the internal audit has been conducted in a satisfactory manner, and the audit report has been implemented
- the amounts to be deposited in revenues and government funds have been determined, recovered, deposited and accounted in accordance with law,
- the reimbursement process was done on time

Compliance Audit

- Obtaining and mobilizing resources in compliance with prevailing laws
- the prevalent laws have been complied in making financial transactions,
- There are adequate legal provisions, related regulations, and internal control arrangements to prevent misuse of funds, and these are followed
- the existing legal provisions made to check the revenue leakages and deposit are adequate and such provisions have been followed,
- the arrangement of internal control system are effective and such arrangements have been followed,

- the monitoring has been carried out in accordance with the prevalent laws and monitoring report has been implemented,
- the revenues, grants and royalties divided to all three tiers of governments in accordance with the prevalent laws have been utilized and mobilized complying with laws,
- the record of irregularity and its settlement are maintained up-to-date and efforts are made to settle such regularities,

Performance Audit

- expenditures are incurred in economical manner, and the progresses have been achieved in accordance with the programs and goals set,
- physical progresses are in accordance with accounts and reports,
- the arrangements of safeguarding and using the cash, inventories and other government assets have been adequately made to protect them from the loss & damage and misuse, and such arrangements have been followed,
- the organization & management and work divisions of offices are adequate and appropriate to prevent from becoming duplication,
- progresses are achieved by formulating and implementing programs as per determined objectives and policies, and the quality and quantity of works are maintained as per prescribed standards,
- The basis for determining the organization and program's achievements is clear, progress has been made within the scheduled time frame as per the program, and the quality and quantity of work is in accordance with the prescribed standards,
- expenditures are incurred analyzing the cost and benefit, and the benefits are achieved in accordance with the cost involved,

Special Audit (IT / Environmental)

- an arrangement has been made to make the financial transactions, records and reporting information technology-based,
- the Information Technology System has been appropriately procured, developed and effectively used,
- the laws, procedures and standards relating to environment have been complied or not, and the efforts have been taken to minimize the environmental impact.

- 3. Audit Scope** - Article 241 of the Constitution and Section 3 of the Audit Act, 2075 (2019) determine the Office's audit scope. The audit scope includes all Federal and Provincial Government Offices along with the Office of the President and Vice -President, Supreme Court, Federal Parliament, Provincial Assembly, Provincial Governments, Local Levels, Constitutional Bodies and offices thereof, Courts, Office of the Attorney General and Nepal Army, Nepal Police or Armed Police Force- Nepal, the Corporate Bodies, Committees, Boards, Trust/Funds, Authorities and Universities wholly owned by the three tiers of governments, and the bodies and other entities prescribed as to be audited by Auditor General in Federal Law. Accordingly, the audits of the financial transactions & reports thereon of fiscal year 2023/24 (2080/81) and documents related to the audit backlogs have been carried out. In course of carrying out the performance audits, the information related to various years have been gathered and analyzed.

In auditing, the subject matters related to internal control system, expenditure management, revenue fixation, collection, deposit and the matter related to financial statements have been examined and assessed. Pursuant to the financial management, the status of budget management, inventory management, project management, public procurement management, economy in expenditure, and compliance status with the Financial Procedure & Fiscal Responsibility Act has been examined. In course of auditing, the environment aspect, achievement related to gender, sustainable development goals indicators as well as the aspect of service delivery and adherence to responsibility and accountability have been analyzed. The aspects such as environmental aspects, gender, and sustainable development goal achievement indicators, as well as aspects such as service delivery and compliance with responsibilities and accountability, have also been evaluated during the audit.

- 4. Audit Methodology** - Audits have been conducted preparing the annual audit plan and ministry/agency-wise plans and office/entity-wise audit plans harmonizing with the annual audit plan. The activities to be performed in each audit phases have been managed and documented in electronic-based audit system named 'Nepal Audit Management System' (NAMS). Audits have been completed in compliance with the provisions made in the Audit Act, 2075 (2019), and following the Nepal Government Auditing Standards, Financial, Performance and other relevant audit manuals/guidelines and adopting good practices. Based on risks assessment, the audited entities have been classified into low and high-risk entities, and the audits of high-risk entities have been completed performing test of details. The audits of low-risk entities have been

completed adopting the remote auditing technique along with use of short audit procedures by uploading financial statements and related key documents in the NAMS system.

For examining the subject matters identified from the overall/entity-wise risk assessment, the entity-level audit plans have been prepared by including the matters so identified in order to collect the pertinent, sufficient, relevant evidences, and the audits have been completed on the basis of sample selection. With regards to performance audits, civil societies have also been involved in case of some audits. In such audits, the techniques including interviews, preparation of questionnaires, and focus group discussion with stakeholders have been followed in order to collect necessary audit evidences. In course of auditing, primarily the process-oriented, problem-oriented and result-oriented techniques have been adopted. To enhance the audit quality, the works of conducting necessary supervision, site inspection by the high-level officials, discussion with stakeholders, reviews prior and after the issuance of preliminary reports have also been performed in accordance with the Audit Quality Assurance Handbook.

5. **Annual Report** - Section 19 (1) of the Audit Act, 2075 (2019) provides that the Auditor General in its report needs to disclose the matters relating to the details of the Auditor General's functioning throughout the year, summary of the main observations witnessed by the audit, status of implementation of the audit reports, and reforms to be made in the future and other necessary matters, and in accordance to this provision, the Auditor General's Annual Report as well as this summary report have been prepared. This Report consists of 5 Chapters. In this report, Chapter-1 covers Details of Audited Entities, Chapter-2 Status of Irregularity Witnessed by Audit, Chapter-3 Overall Status of Audit Observations, Chapter-4 Implementation Status of Audit Reports, and Chapter-5 Reforms to be Undertaken in Future. As per Article 294 (3) of the Constitution, separate reports have been prepared with regards to functioning of each Province. The audit reports with opinions have been issued for 761 inclusive of 753 Local Levels and audit backlogs of 8 Local Levels. Likewise, a synopsis of key audit findings related to corporate bodies, performance and special audit, IT audit and environmental audit have also been incorporated in this report.

Chapter -1

Details of Audited Entities

• Overall Audit

Audited Entity and Subject	Number	NRs. in Billions
(A) Financial Audit		
1. Federal Ministry and Entity (Including 3 backlogs)	3,093	3,106.16
2. Provincial Ministry and Entity	1,165	308.56
3. Local Level (Including 8 backlogs)	761	1,118.46
4. Committee & Other Institution (Including 125 Provincial)	695	522.13
5. Corporate Body	45	4,407.05
(B) Performance Audit 11	-	-
(C) Environmental Audit 1	-	-
(D) IT Audit 1	-	-
(E) Special Audit 2	-	-
Total	5,759	9,462.36

This year, the audits of total NRs. 9 trillion 462.36 billion- inclusive of NRs. 3 trillion 106.16 billion of 3 thousand 93 Federal Ministries/Entities, NRs. 308.56 billion of 1 thousand 165 Provincial Ministries/Entities, NRs. 1 trillion 118.46 billion of 761 Local levels (including 753 Local Levels and last year's audit backlog of 8 Local Levels), NRs. 522.13 billion of 695 Committees and Other Institutions, and NRs. 4 trillion 407.05 billion of 45 fiscal years of 43 Corporate Bodies, have been completed. In addition to the financial audit, the performance audit of 11 subjects, environmental audit of 1 subject, IT audit of 1 subject and special audit of 2 subjects have also been completed.

- 1. Federal Ministry and Entity** - This year, the audits of the following appropriation/revenue/deposit and other transactions of 3 thousand 93 Federal Government Ministries/Entities have been completed:

(NRs. Billions)		
S.N.	Transaction Heading	Audited Amount
1	Appropriation Expenditure	1,179.92
2	Revenue	1,387.72
3	Deposit	78.47
4	Other Transaction	460.05
Total		3,106.16

With regards to audit arrears amounting to NRs. 8.87 billion of 3 thousand 49 units of the Federal Government Offices existed up to last year, the audits of NRs. 3.10 billion of 12 units have been completed in this year.

2. **Provincial Ministry and Entity** - This year, the audits of NRs. 308.56 billion of 1 thousand 165 entities functioning under 7 Provinces have been completed in this year. With regards to audit backlog amounting NRs. 1.01 billion of 21 units of the Provincial Government Offices existed up to last year, no entities have produced for auditing in this year. The summary of major audit findings witnessed by auditing has been included in Chapter 3.
3. **Local Level** - This year, the audits of NRs. 1 trillion 118.46 billion of 761 fiscal years (including 8 arrears of previous years) of 753 local levels, inclusive of 6 Metropolitans, 11 Sub-Metropolitans, 276 Municipalities and 460 Rural Municipalities have been completed.
4. **Committee and Other Institution** - This year, the audits of NRs. 522.13 billion of 695 Committees/ other Institutions (including 125 provincial) have been completed.
5. **Corporate Body** - This year, the audits of NRs. 4 trillion 407.05 billion of 45 fiscal years of 43 corporate bodies have been completed. In addition, the consultations for auditing have been provided to 42 corporate bodies for auditing of 47 fiscal years and the audits of NRs. 1 trillion 577.49 billion have been completed in this regard as per the consultation provided.
6. **Other Funds** - With regards to the various Funds audited in this year, the total income has appeared NRs. 427 billion 877.3 million - inclusive of previous year balance NRs. 33 billion 174.5 million and this year's income NRs. 394 billion 702.8 million, and out of the amount, total NRs. 374 billion 73.1 million has been expended and closing balance of NRs. 53 billion 804.2 million has remained at the end of fiscal year.
7. **Performance and Special Audit** - This year, the performance audits of 11 subjects, environmental audit of 1 subject, IT audit of 1 subject and special audit of 2 subjects have been completed. Details of the audited subjects are provided below:

S. N.	Subject of Performance Audit	Concerned Entity	Concerned Ministry
1	Status of Exploration and Extraction of Minerals	Department of Mines and Geology	Ministry of Industry, Commerce & Supply
2	Status of Electricity Generation, Transmission and Consumption	Electricity Development Department	Ministry of Energy, Water Resources and Irrigation
3	Cold Storage Management Program	Ministry of Agriculture and Livestock Development	Ministry of Agriculture and Livestock Development
4	Status of Lift-Water Supply Project	Project Directorate	Ministry of Water Supply and Urban Development

5	Status of Postal Highway Construction	Postal Highway Directorate	Ministry of Physical Infrastructure and Transportation
6	Implementation Status of Detailed Project Reports (DPR) Prepared by Local Levels		Ministry of Federal Affairs and General Administration
7	Operations and Management of Airports	Civil Aviation Authority	Ministry of Culture, Tourism & Civil Aviation
8	Effectiveness of Agriculture and Livestock Insurance Program	Nepal Insurance Authority	Ministry of Agriculture and Livestock Development
9	Status of Privileged Loans and Interest Subsidy	Nepal Rastra Bank	Ministry of Finance
10	Effectiveness of Livestock Sector Innovation Project	Livestock Sector Innovation Project	Ministry of Agriculture and Livestock Development
11	Kathmandu Valley Traffic Management	Valley Traffic Police Office	Ministry of Home Affairs
Environmental Audit			
12	Management of Wastages Produced by Industrial Estates	Balaju Industrial Estate	Ministry of Industry, Commerce & Supplies
IT Audit			
13	Foreign Employment Information Management System	Department Foreign Employment	Ministry of Labour, Employment and Social Security
Special Audit			
14	Air Rescue of Pregnant and Postpartum Women	Ministry of Women, Children and Elderly Citizen	Ministry of Women, Children and Elderly Citizen
15	Status of Economy		Ministry of Finance

• Implementation Status of Government Budget and Revenue

8. **Government Budget and Expenditure** - As per the statement obtained from the Financial Comptroller General Office, the actual expenditure of 2021/22 and 2022/23 and Heading-wise/ Sector-wise budget estimate and actual expenditure of 2023/24 of the Federal Government are as follows:

(NRs. in Millions)

Heading/Sector	Actual Expenditure of 2021/22	Actual Expenditure of 2022/23	2023/24		
			Budget Estimate	Actual Expenditure	Percent
Recurrent Expenditure	954,316.7	991,506.8	1,141,784.1	929,126.4	81.37
Capital Expenditure	216,213.1	234,624.7	302,074.4	192,027.4	63.57
Financing Arrangements (Principal Interest Repayment)	139,471.0	195,195.5	307,453.6	272,247.8	88.55
Total	1,310,000.8	1,421,327.0	1,751,312.1	1,393,401.6	79.56
General Public Service	521,769.3	525,885.1	630,550.6	471,293.0	74.74
Defense	53,297.0	60,013.8	57,304.3	58,577.0	102.22
Public Law Order and Security	72,384.8	79,764.4	71,202.3	72,336.1	101.59
Economic Affairs	331,246.3	421,167.0	390,969.6	469,214.1	120.01
Environmental Protection	5,447.6	4,451.7	8,595.6	2,906.3	33.81

Housing and Community Amenities	35,057.2	42,294.7	66,028.6	31,388.5	47.54
Health	74,933.6	52,067.0	102,769.5	49,368.8	48.04
Culture and Religion	4,691.8	5,810.5	6,661.9	4,117.6	61.81
Education	42,616.6	52,869.5	197,775.5	52,533.2	26.56
Social Security	168,556.6	177,003.3	219,454.2	181,667.0	82.78
Total	1,310,000.8	1,421,327.0	1,751,312.1	1,393,401.6	79.56

9. **Status of Expenditure** - As per the statement obtained from the Financial Comptroller General Office, the 10 Federal Ministries/Entities incurring excessive expenditure on the basis of this year's total recurrent and capital expenditure amounts are as follows:

(NRs. in Millions)

Recurrent Expenditure				Capital Expenditure			
S.N.	Ministry/Entity	Amount	Percent	S.N.	Ministry/Entity	Amount	Percent
1	Finance	174,127.0	18.74	1	Physical Infrastructure & Transportation	76,171.1	39.67
2	Home Affairs	83,797.9	9.02	2	Urban Development	28,789.5	14.99
3	Defense	65,192.3	7.02	3	Defense	24,125.9	12.56
4	Agriculture & Livestock Development	35,220.7	3.79	4	Energy, Water Resources & Irrigation	22,764.4	11.85
5	Education, Science & Technology	32,524.6	3.50	5	Home Affairs	7,897.0	4.11
6	Health	24,710.8	2.66	6	Water Supply	7,784.6	4.05
7	Foreign Affairs	6,520.6	0.70	7	Health	3,075.1	1.60
8	Physical Infrastructure & Transportation	6,130.1	0.66	8	Finance	2,753.3	1.43
9	Supreme Court	5,725.0	0.62	9	Agriculture & Livestock Development	2,469.4	1.29
10	Communication and Information Technology	5,206.5	0.56	10	Forest and Environment	2,346.8	1.22
11	Other Ministries and Entities	489,970.9	52.73	11	Other Ministries and Entities	13,850.3	7.21
	Total	929,126.4	100		Total	192,027.4	100

Besides the recurrent and capital expenditure, the expenditure incurred under financing arrangement has been NRs. 272.25 billion. The recurrent expenditure of other ministries/entities also includes the grant amounts provided to the 7 Provinces and 753 Local Levels.

10. **Source-wise Expenditure** - As per the statement obtained from the Financial Comptroller General Office, the source-wise actual expenditure of 2021/22 and 2022/23 and the estimate and actual expenditure of 2023/24 of the Federal Government are as follows:

(NRs. in Millions)

Source	Actual Expenditure of 2021/22	Actual Expenditure of 2022/23	2023/24		Increase Percent compared to Previous Year
			Budget Estimate	Actual Expenditure	
Government of Nepal	1,151,819.0	1,281,757.8	1488,620.0	1,251,054.7	-2.40
Foreign Grant	27,481.7	23,382.2	49,943.0	23,288.8	-0.40
Foreign Loan	130,700.1	116,187.0	212,749.1	119,058.1	2.47
Total	1,310,000.8	1,421,327.0	1751,312.1	1,393,401.6	-1.96

- 10.1 Out of this year's expenditure NRs. 1 trillion 251.05 billion incurred from the Government of Nepal Source, NRs. 960.16 billion (76.74 percent) has been borne from revenues.
- 10.2 Compared to this year's estimate of receiving foreign grants NRs. 49.94 billion under 18 entities, only NRs. 23.29 billion (46.63 percent) has been received, and compared to this year's estimate of receiving foreign loan NRs. 212.75 billion under 13 entities, only NRs. 119.06 billion (55.49 percent) has been received.
11. **Public Debt** - As per the Annual Report 2023/24 of Debt Liability of the Government of Nepal prepared by Public Debt Management Office, total public debt of the Government of Nepal has reached NRs. 2 trillion 434 billion 99.9 million as of 2081 Ashadh end (15th July 2024). Out of which, the foreign debt is NRs. 1 trillion 253 billion 198 million (51.49 percent) and internal debt is NRs. 1 trillion 180 billion 901.9 million (48.51 percent).
12. **Revenue** - As per the statement obtained from the Financial Comptroller General Office, the status of source-wise actual revenues of 2021/22 and 2022/23 and revenue estimate and actual recovery of 2023/24 mobilized by the Federal Government are as follows:

(NRs. in Millions)

Description	Actual of 2021/22	Actual of 2022/23	2023/24		
			Estimated	Recovered	Percent
Total Revenue	989,621.7	899,176.1	1,248,620.0	960,163.4	76.90
1. Tax Revenue	856,264.0	748,420.0	1,131,557.9	820,697.0	72.53
2. Other Revenue, Irregularity Amount and Other Recovery	130,519.3	138,942.0	117,062.1	132,205.4	112.94
3. Principal Repayment	2,838.4	11,814.1	-	7,261.0	-

As compared to previous year, the revenue recovery of this year has increased by 6.78 percent. The revenue recovery of the fiscal year 2023/24 also includes the recovery amount of NRs. 1 billion 322.1 million with regards to the previous irregularities and other receipts. The principal repayment of NRs. 11 billion 814.1 million has been received without provisioning in this year's budget estimate.

Chapter-2

Status of Irregularity Witnessed by Audit

1. **Irregularity** — Section 2 (Ta) of the Financial Procedures and Fiscal Accountability Act, 2076 (2019) defines the irregularity as the financial transaction that has been pointed out or ascertained in auditing as it has been carried out without fulfilling such requirements as to be fulfilled in accordance with the prevailing law or accounts as to be maintained has not been maintained and a transaction which has been carried out in an irregular or improper manner.

The same Act has classified irregularity into 3 main categories - recoverable, to be regularized, and advances. While making classification of irregularities, this Office has further classified the recoverable irregularities into 3 sub-categories named as - embezzled and falsified, loss & damage and other recoverable, and irregularities to be regularized have also been classified into 4 sub-categories namely - irregular, evidences/documents not submitted, balances not brought forward and reimbursement not received. The Advances have been classified into staff, mobilization and other advance.

In this year, total irregularity ascertained by the audits with regards to the Federal Government Offices, Provincial Government Offices, Local Levels, and Other Committees and Institutions has been NRs. 91 billion 597.9 million. The classification of irregularity figures is provided below:

(NRs. in Millions)

Classification	Federal Government Office	Provincial Government Office	Local Level	Federal Committee/ Other Institution	Provincial Committee/ Other Institution	Total
1. Recoverable	18,332.4	768.5	3,501.1	7,523.1	30,125.1	32.89
2. To be regularized	27,928.6	2,805.5	19,398.2	5,991.9	56,124.2	61.27
2.1 Irregular (non-compliance)	1,929.3	913.8	9,717.5	2,550.6	15,111.2	16.50
2.2 Evidences/documents not submitted (Unsubstantiated)	25,998.6	1,891.3	9,650.4	3,407.5	40,947.8	44.70
2.3 Balance not brought forward	0.0	0.0	0.0	0.0	0.0	0.0
2.4 Reimbursements not received	0.7	0.4	30.3	33.8	65.2	0.07
3. Advance	1,482.0	626.0	2,424.9	815.7	5,348.6	5.84
Total irregularity	47,743.0	4,200.0	25,324.2	14,330.7	91,597.9	100.00

Note: The above advance figures do not include the advances not yet due.

2. **Audit and Irregularity Figure** - This year, total audits of NRs. 9 trillion 462 billion 368.1 million of 5 thousand 759 Government Offices, Corporate Bodies,

Committees and Other Institutions have been completed. The status of audited entity and irregularity are as follows:

(NRs. in Millions)

Audited Entity/ Subject	Number	Audited Amount	Irregularity	Irregularity Percent
1. Federal Ministry and Entity (Including 3 backlogs)	3,093	3,106,157.6	47,743.0	1.54
2. Provincial Ministry and Entity	1,165	308,561.1	4,200.0	1.36
3. Local Level (Including 8 backlogs)	761	1,118,463.0	25,324.2	2.26
4. Committee & Other Institution (Including 125 Provincial)	695	522,139.1	14,330.7	2.74
Total	5,714	5,055,320.8	91,597.9	1.81
5. Corporate Bodies	45	4,407,047.3	-	-
Grand Total	5,759	9,462,368.1	91,597.9	

Total audits of NRs. 4 trillion 407 billion 407.3 million of 45 Corporate Bodies has been completed. In addition, with regards to the consultations for auditing provided to 42 corporate bodies for 45 fiscal years, the concerned auditors have completed the audits of NRs. 1 trillion 577 billion 485.4 million. Since the audit irregularities of each corporate body are settled by the Board of the concerned corporate body, the figurative record of such irregularities has not been maintained.

3. **Cumulative Irregularity** - The cumulative outstanding irregularity of the Federal Government Offices, Provincial Government Offices, Local Levels, Committees and Other Institutions has figured NRs. 733 billion 190.9 million. The cumulative irregularity of this year has surged by 9.45 percent as compared to the last year.

(NRs. in Millions)

Particulars	Last Year's Irregularity	Adjustment Plus (Minus)	Cleared/ Settled	Last Year's Net Balance	Current Year's Irregularity	Cumulative Outstanding Irregularity
Federal Government Office	342,669.1	0	14,939,6	327,729.5	47,743.0	375,472.5
Provincial Government Office	28,468.4	0	2,186,5	26,281.9	4,200.0	30,481.9
Local Level	193,458.3	8.2	9,501,6	183,964.9	25,324.2	209,289.1
Other Institution/ Committee (Including Provincial)	105,268.1	14.9	1,666,3	103,616.7	14,330.7	117,947.4
Total	669,863.9	23.1	28,294,0	641,593.0	91,597.9	733,190.9

4. **The cumulative amount of action to be taken** – In addition to the irregularities of the Federal and Provincial Government Offices, Local Levels, Committees and Other Institutions, the cumulative amount requiring settlements by taking

timely action with regards to the audit backlogs, revenue arrears, and foreign grants & loans to be reimbursed has prevailed NRs. 551 billion 17.8 million as given below:

(NRs. in Millions)

S.No.	Particulars	Up to last Year	This Year's Plus/ Minus	Cumulative Amount
1	Audit Backlogs (Federal and Provincial)	9,875.5	(1,162.1)	8,713.4
2	Revenue Arrears	435,428.2	36,921.0	472,349.3
3	Foreign Grants to be reimbursed	16,094.5	(9,843.4)	6,251.1
4	Foreign Loans to be reimbursed	5,593.4	8,736.9	14,330.3
5	Overdue Principal and Interest of Guaranteed loans	46,412.7	2,961.0	49,373.7
	Total	513,404.3	37,613.4	551,017.8

5. **Analysis of Irregularity** - The irregularity status of the Federal and Provincial Government Offices, Local Levels, Corporate Bodies, Committees and Other Committees are as follows:
- 5.1. When completed the audits of NRs. 9 trillion 462 billion 368.1 million of the Federal and Provincial Government Offices, Local Levels, Corporate Bodies, Committees and Other Institutions in this year, total irregularity of NRs. 99 billion 236.3 million has been witnessed. Out of the amount, NRs 7 billion 638.4 million (7.70 percent of total irregularity) has been settled within the reporting period and hence, NRs 91 billion 597.9 million has remained as outstanding irregularity to be settled. Total outstanding irregularity to be settled up to this year has reached NRs 733 billion 190.9 million.
- 5.2. Section 39 of the Financial Procedures and Fiscal Accountability Act, 2076 (2019) provides that the foremost duty and liability to settle the irregularities shall be of the responsible official, and if any irregularity remains unsettled, the appropriate Chief Accounting Officer shall be held liable for settling such irregularities. Section 37 of the same Act mentions that irregularities pointed out by audits shall be settled within 35 days or the extended period if any extension has been granted, and if the irregularities are not settled within such extended period, information thereof are to be furnished to the Chief Accounting Officer as per Section 37(4) of the Act and to the Departmental Minister or Minister of State as per Section 37(6) of the Act. In accordance with the provisions, the information relating to unsettled irregularities have already been provided to the concerned officials. Section 50 of the same Act provisions that it shall be duty of the appropriate Chief Accounting Officer to assume the responsibility fiscal accountability as well as acting for settlement of the irregularities.

With regards to the Provinces, the information relating to province irregularities have also been furnished to the concerned Chief Accounting Officers and Provincial Departmental Ministers of the Provincial Ministries in accordance with the provisions of the Financial Procedures Related Acts of the concerned Provinces.

- 5.3. Pursuant to the Federal Government Offices, the Ministries having excessive irregularities in this year on the basis of irregularity amounts are as follows:

(NRs. in Millions)

S. No.	Ministry/ Entity	Audited Figure	Irregularity Figure				Percent of Total Irregularity	Irregularity Percent as Compared to Audited Figure
			To be recovered	To be Regularized	Outstanding Advance	Total		
1	Finance	2,467,930.6	12,914.4	20,796.3	1.0	33,711.7	70.61	1.37
2	Physical Infrastructure & Transportation	115,601.3	2,307.2	3,131.1	998.1	6,436.4	13.48	5.57
3	Defense	94,375.6	1,604.5	53.4	13.5	1,671.4	3.50	1.77
4	Land Management, Cooperative & Poverty Alleviation	40,156.2	139.5	1,366.8	0.2	1,506.5	3.16	3.75
5	Foreign Affairs	20,429.9	5.3	1,047.6	0.4	1,053.3	2.21	5.16
6	Energy, Water Resources and Irrigation	35,104.4	284.5	240.7	132.8	658.0	1.38	1.87
7	Urban Development	36,384.1	240.6	321.0	59.3	620.9	1.30	1.71
8	Communication and Information Technology	14,462.4	497.7	4.6	0	502.3	1.05	3.47
9	Industry, commerce & Supplies	6,284.3	155.2	229.7	0	384.9	0.81	6.12
10	Health & Population	12,888.9	5.0	231.0	0	236.0	0.49	1.83
11	Others	262,539.9	178.5	506.5	276.6	961.6	2.01	0.37
Total		3,106,157.6	18,332.4	27,928.6	1,482.0	47,743.0	100.0	1.54

Out of total irregularity of the Federal Government Offices, the irregularity figure of above ten ministries becomes 97.99 percent and remaining 2.01 percent is others.

- 5.4. Pursuant to the Province Governments, total irregularity figure compared to audited figure has stood 1.36 percent, out of which the highest of 2.57 percent has appeared in Madhesh Province, and the lowest of 0.82 percent in Bagmati Province. Pursuant to the local levels, total irregularity figure compared to audited figure has stood 2.66 percent. As per this year's audits, the number of local levels having less than 5 percent irregularity is 692 local levels, 5 to 15 percent irregularity is 168 local levels and more than 15 percent irregularity is 1 local level.
- 5.5. Amongst the 3 thousand 93 Federal Government Offices audited in this year, 1 thousand 105 Offices (35.73 percent) do not have significant (major)

irregularities. Likewise, amongst the 1 thousand 165 Provincial Government Offices audited in this year, 333 Offices (28.58 percent) do not have significant irregularities.

- 5.6. Altogether 169 thousand 556 irregularity sections have been witnessed in this year from the audits of 5 thousand 19 Federal and Provincial Government Offices and Local Levels (including audit backlogs), out of which 79 thousand 789 sections are conceptual (Saidhantik) irregularity and 89 thousand 767 sections are figurative (Lagati) irregularity.
- 5.7. Pursuant to audits of the Federal Government Offices, Provincial Government Offices, Local Levels and Committees & Other Institutions in this year, the Federal Government Offices functioning under 27 ministries/entities have recovered NRs. 451.7 million in course of the auditing, and the offices functioning under 23 Ministries/entities have recovered NRs. 485.3 million after issuance of the preliminary audit reports and offices functioning under 21 Ministries/entities have recovered NRs. 10 billion 974.1 million in course of follow-up auditing of previous irregularities. Similarly, the Committees and Other Institutions have recovered NRs. 277.7 million, Provincial Government Offices Committees & Other Institutions have recovered NRs. 520.9 million, and Local Levels have recovered NRs. 1 billion 774.4 million, thus altogether total NRs. 14 billion 484.1 million has been recovered in this year.

Out of the total recoverable irregularity NRs. 18 billion 332.4 million as ascertained in the auditing of the Federal Government Offices in this year, the recoverable amount of above mentioned 10 ministries/entities is NRs. 18 billion 282.5 million (99.73 percent), and the remaining NRs. 49.9 million (0.27 percent) is of other remaining ministries/entities.

- 5.8. Rule 52(4) of the Financial Procedures and Fiscal Accountability Rules, 2077 (2020) mentions that any advance amount not yet due shall not be regarded as irregularity. The audit has carried out an analysis on the status of advances as the government entities have not yet updated the advance records by segregating the overdue and undue advance amounts since past years.

Public Accountability from the Outlook of Audit

Governance Management

- Laws should be framed/amended to make clarity in the work scope and expenditure of governments.
- List of acts and responsibilities are to be formulated for implementing international agreements
- The terms of service and facilities of the executives of public corporate bodies should be clearly provisioned in laws.
- All three tiers should determine the area and scope of revenue mobilization under their work scope.
- The machinery for the settlement of irregularities provided in audit reports should be determined in Local Levels.
- The arrangement related to the budget deficit management and fiscal discipline of all three tiers should be in accordance with federal laws.

Public Assets Management

- Qualitative assets should be procured competitive, economic manner as per the procurement master plan.,
- Hand over of the machinery, equipment and assets of the completed projects should be done in a manner so that they can be utilized.
- Existing assets should be utilized instead of making new procurement if any user changes for a short period.,
- While making general procurement for operations, the payment should be arranged through electronic medium.
- The record of all types of public assets should be mandatorily maintained in PAMS.
- The ownership of compensation provided lands should be brought under the government, and records, safeguards and usages should also be arranged.
- The vehicles that are confiscated and lying useless should be either used or put into auction sale.

Economy

- Any amount to be paid or deposited to the state should be predictable and affordable
- Informal economic activities should be discouraged through the promotion of digital/ electronic payments.
- Time and charges applicable in public services should be determined in order to systematize industry and trade.
- Policies and laws related to concerned sector need to be harmonized for creating easiness in the investment environment.
- Exports should be promoted by preparing production-friendly environment in special economic zones.
- The impact of interest and additional premium need to be analyzed through the analysis of loan and deposit ratio.
- There should be arrangement of getting the Government of Nepal' approval while appointing any director by a corporate body in its subsidiary company.
- An approval of Ministry of Finance should be obtained with regards to the subject that creates a long-term financial liability to any corporate body.
- The official creating liabilities to a corporate body without provision of funds should be held responsible.

Public Fiscal Management

- The practice of making expenditure by establishing Funds outside national budgetary system should be controlled.
- All programs/projects to be handed over to province and local levels should be incorporated in budget.
- The electronic financial transactions should be brought under the tax net.
- The effect and impact of revenue remission should be assessed and reviewed.
- The practice of granting remission and facilities to defaulting taxpayers in the preceding years should be reviewed.
- The entity providing opinion/consultation should provide opinion by specifying subject, legal provision and purpose.
- Foreign consultancy service should be taken only for complex nature of works and technology transfer.
- Foreign aid should be taken by analyzing cost, achievement, risk and repayment capacity.
- Grants should be provided by making clear of subjects, areas, classes, groups in laws.
- The transactions of non-budgetary entities of all three tiers should be included in the Consolidated Financial Statement.
- Internal Control System should be implemented to make service delivery comical, transparent and organized.

Public Administration

- Short-termed training should be provided annually for enhancing capacity development of civil servants.
- Approved staff positions in public institutions should be determined on the basis of smart and technology based structure.
- The practice of making transfers prior to fulfillment of minimum service period should be controlled.
- Service delivery should be made predictable by making quality, time, fees and process systematic.
- Details of service recipient should be made public to ensure access of the targeted group in services.
- New concept the like faceless bureaucracy, electronic governance, single service center should be implemented.
- The system of time flexibility and multi-office responsibility should be arranged in order to use specialist knowledge.
- Service delivery should be made effective through raising citizen awareness and feedback.
- Service delivery should be determined on the basis of the availability of time and procurement capacity of services.

Development Management

- There should be coordination and collaboration between the government and other sector in order to achieve sustainable development goals.
- Dependency upon consultants for preparing Detailed Project Report should be minimized.
- Delay in achievement of returns has occurred due to procurement without preparation, which needs to be improved.
- Existing norms should be updated in order to reduce public construction costs as per new innovation and technology.
- Budget should be appropriated according priority to the uncompleted projects.
- The act of time extension of procurement contracts should be made objective and fact based.
- The practice of involving user committees in complex nature of work needs to be controlled.
- The matter of granting or not granting revenue remission in the procurements activities should be clearly mentioned in bid related documents.

Information Technology (IT)

- Necessary legal provisions should be made to cover modern IT field,
- Cost estimate should be made realistic by preparing norms related to IT procurement,
- IT System should be developed by making adequate studies and cost- benefit analysis.
- There should be arrangement of getting services by all public entities through Integrated Data Center,
- Separate Knowledge Center should be established for one door system in IT control and security,
- Information System should be used after completing standards including VAPT tests,
- All entities should procure single IT system for same nature of works,
- There should be uniformity in website and mobile application of the public entities.

Good Governance

- Prompt, smart and predictable services should be provided by adopting electronic medium,
- Civil surveillance should be strengthened in the public services delivery,
- The culture of adhering positional ethics should be developed for the promotion of integrity,
- The rationale should be justified and timely decisions should be taken while granting approval for foreign/domestic travels,
- High returns and quality standards should be retained while implementing approved budget and programs,
- Decisions relating to disputes on taxes, customs duty should be taken within the period specified by laws,
- The terms of services and facilities of the officials and employees bearing the public positions should be made transparent.

Chapter-3

Summary of Major Audit Observation

Federal Ministry and Entity

- Federal Consolidated Fund** - As per the financial statement of Federal Consolidated Fund of Fiscal year 2023/24, total NRs. 1 trillion 346 billion 311.3 million has been received inclusive of the overall revenues, grants and loans (internal and external), and last year's cash deposit and other adjustment, and out of the amount, NRs. 1 trillion 393 billion 401.6 million has been spent as the recurrent and capital expenditure and financing arrangements and NRs. 47 billion 90.3 million has remained as the negative balance. If adjusted last year's cumulative negative balance NRs. 181 billion 267.4 million in this year's negative balance, the cumulative balance will become negative by NRs. 228 billion 357.7 million. There exists the closing balance of NRs. 140 billion 947 million in other government funds and accounts of Government of Nepal at the end of this year. Similarly, the closing balances of Province Consolidated Fund has remained positive by NRs. 50 billion 909.8 million and Local Consolidated Fund positive by NRs. 60 billion 508.1 million.

Likewise, if adjusted this year's deposit and other Funds balances, the balance amount will become negative by NRs. 40 billion 516.4 million, and along with the last year's cumulative negative cash and bank balance NRs. 46 billion 894.2 million, the Federal Government's cash and bank balance becomes negative by NRs. 87 billion 410.7 million as of this year.

- Overall Economic Situation** - As per the Fifteenth Periodic Plan, key economic indicators of the country are as follows:

(In Percent)

Description	Goal (Fifteenth Plan)	Achievement		
	2023/24	2021/22	2022/23	2023/24
Economic Growth Rate (Average)	10.3	5.84	1.86	3.87
Total Revenue/Gross Domestic Product (GDP)	30.0	23.0	18.78	18.56
Total Government Expenditure/GDP	43.3	26.7	26.42	24.69
Recurrent Expenditure/GDP	17.9	19.8	18.7	16.69
Capital Expenditure / GDP	18.6	4.5	4.34	3.36
Foreign Grant / GDP	3.0	0.4	0.4	0.39
Foreign Loan / GDP	5.7	2.5	1.90	2.17

Domestic Loan/ GDP	4.3	4.8	4.76	4.11
Trade Deficit/ GDP	35.3	35.5	27.0	25.25
Export/ GDP	15.7	4.1	2.9	2.67
Import/ GDP	51.0	39.6	30.0	27.92
Budget Deficit/ GDP	10.0	5.4	9.6	7.42

Source: Ministry of Finance, 2023/24

As per the statement obtained from the Ministry of Finance, against the goal of achieving economic growth rate 10.3 percent in the Fifteenth Plan, the growth rate remained only 3.87 percent. Against the goal of incurring capital expenditure 18.6 percent of GDP in the Fifteenth Plan, the expenditure remained only 3.36 percent. Against the goal of generating revenues 30 percent of GDP in this year, only 18.56 percent revenue recovered. During the Plan period, revenues have not been recovered as per the projection. It is essential to make reforms in overall tax system and enhance the administrative capability for accelerating the mobilization of revenues.

3. **Revenue Estimate and Recovery** - As per the statement obtained from Ministry of Finance, the status of revenue target and recovery of the last 3 years are as follows:

(NRs. in Billions)

Description	2021/22			2022/23			2023/24		
	Targeted	Recovered	Recovery Percent	Targeted	Recovered	Recovery Percent	Targeted	Recovered	Recovery Percent
Income Tax	289.50	260.09	89.80	349.06	253.81	72.71	362.12	283.46	78.28
Value Added Tax	316.36	314.28	99.30	398.47	286.63	71.93	425.89	310.46	72.89
Excise Duty	182.17	166.78	91.60	217.28	143.07	65.84	207.22	146.35	70.63
Customs Duty	278.92	241.78	86.70	330.57	182.12	55.09	307.44	201.02	65.39
Other Tax	113.65	133.49	117.46	107.77	145.02	134.57	119.87	141.46	118.00
Total	1,180.60	1,116.42	94.60	1,403.15	1,010.65	72.03	1,422.54	1,082.75	76.11

Source: Ministry of Finance

As per above statement, compared to the target of generating revenues NRs. 1 trillion 422.54 billion in 2023/24, only NRs. 1 trillion 82.75 billion (76.11 percent) has been recovered. Necessary works need to be done for the recovery of revenues as per the target set.

4. **Revenue Remission** - Section 18 of the Finance Act, 2080 (2023) provisions that the Government of Nepal may reduce or increase or may give revenue remission (rebate) partially or fully in the duty, fee charge or tax rates levied in accordance with the prevalent laws. Likewise, Section 14 and Section 15 of the Schedule 1 of the Finance Act, 2023 mention that a remission in customs duty may be given fully or partially. The data system (ASYCUDA) of the Customs Department shows that total remission of NRs. 79 billion 873.9 million has been granted in

2023/24 with regards to customs duty. Though the Finance Act has provided the provision related to the remissions in the inland revenues, but the records of such remissions have not been maintained by the Ministry and Inland Revenue Department. The statement obtained from Ministry of Finance shows that total remission of customs duty NRs. 4 billion 879.9 million and value added tax applicable thereon has been granted in the import of goods under SAFTA facility.

In accordance with Section 18(2) of the Finance Act, 2023, the Ministry of Finance has granted total remission of NRs. 20 billion 626.9 million in last 4 years - inclusive of the revenue remission NRs. 6 billion 609.9 million provided to various ministries, departments, local levels, and corporations on the imported price NRs. 34 billion 275.2 million up to 2080 Falgun end (2024/03/13). Likewise, the Ministry has, in accordance with Section 18(2) of the Act, granted the revenue remission NRs. 7 billion 529 million 885 thousand to various projects implemented under the foreign loans or grants as per clauses of project development agreements on imported goods of value NRs. 43 billion 564.83 million. The Ministry of Finance has not maintained up-to-date records of the revenue rebated goods and amounts that are to be levied on the imported goods and equipment under such facility.

Such remission should be granted only in the circumstance where any concerned project gets its master-list approved prior to the invitation of bids, and necessary monitoring needs to be conducted with regards to whether or not the imported goods under facilities have been utilized for the same project. Since the scale of revenue remission has been growing every year, the impact of such revenue remission needs to be analyzed, and the transparency should be promoted by submitting an integrated statistics of revenue remission in the Parliament.

5. **Revenue and Principal & Interest Arrears** - Ministry of Finance and subordinate entities have total outstanding balance of NRs. 435.22 billion of the revenue arrears and overdue principal and interest of loans. Out of the amount, the revenue arrears are NRs. 254.04 billion and the taxpayers have gone in judicial reviews with regards to NRs. 123.80 billion (48.73 percent), which shows that huge portion of arrears is still lying under considerations of the judicial organs. With regards to the loan investments made by the Government of Nepal in the Public Enterprises, Committees, Boards, Funds and Local Levels, the amount of overdue principal and interest to be recovered is NRs. 181.18 billion.

Out of the overdue principal and interest of loans, the due amount of Nepal Electricity Authority is NRs. 124.04 billion (68.47 percent). Similarly, the overdue principal of 14 Public Enterprises (PEs), which are not in operation now, is NRs. 1 billion 225 million, and overdue interest of 5 PEs is 246.4 million. Likewise, with regards to loan investment NRs. 1 billion 186.2 million made in 12 local Levels, the principal NRs. 1 billion 183 million and interest NRs. 1 billion 773.8 million have overdue. In accordance with legal procedures, the amounts of overdue principal and interest and revenue arrear should be recovered.

6. **Divisible Fund** - Section 7 of the Inter-governmental Fiscal Arrangement Act, 2074 (2018) provides that the amount royalty collected in Divisible Fund shall be divided annual basis. As per the Consolidated Statement submitted by the Financial Comptroller General Office, total NRs. 7 billion 787.5 million - inclusive of NRs. 6 billion 726.4 million in Federal Divisible Fund, NRs. 296.7 million in Province Divisible Fund, and NRs. 765.4 million in Local Divisible Fund, has remained as balances to be divided at the end of 2081 Ashadh (2024-07-15). The royalty amounts collected in the Divisible Funds should be transferred to the concerned funds by dividing timely basis.
7. **Royalty Arrears** - Section 11 of the Electricity Act, 2049 (1992) provides that each hydro-electricity project shall have to pay royalty to the Government of Nepal. As per the records of the Electricity Development Department, various hydro-electricity projects are required to pay total royalty NRs. 3 billion 876 million 702 thousand - inclusive of NRs. 286 million 995 thousand outstanding up to 2022/23 and NRs. 3 billion 589 million 707 thousand of this year's outstanding of 161 hydro-electricity companies, and out of the amount, NRs. 3 billion 444 million 446 thousand has been recovered and NRs. 432 million 256 thousand as remained as outstanding to be recovered. Though the royalties payable by the projects have not been paid on time, but the chargeable interest and fines have not been recovered. The outstanding royalty amounts should be recovered by making legal provision with respect to imposing interest and penalty on royalty arrears.
8. **Mountaineering Royalty** - Section 7 of the Inter-governmental Fiscal Arrangement Act, 2074 (2018) mentions that the amount deposited in the Federal Divisible Fund as royalty from mountaineering, shall be divided to the Federal, Provincial and Local Divisible Fund. As per the decision of Council of Ministers of 2018/07/26, the responsibility to collect the royalty fees of the country's 27 Himalayan peaks having heights up to 6 thousand meters was given to Nepal

Mountaineering Association for the period till 2023/07/26, however, the period has been again extended for further 5 years as per decision of 2023/11/09. Out of total royalty NRs. 103 million 679 thousand received from Nepal Mountaineering Association in this year, NRs. 52 million 61 thousand are received after end of the year. As per the statement obtained from Ministry of Culture, Tourism & Civil Aviation, the Ministry has total royalty dues of NRs. 93 million 326 thousand related to past years to be deposited by the Association, and hence the royalty amount should be recovered.

9. **Casino Royalty and Renewal of License-** Rule 10 of the Fourth Amendment 2076 (2019) of the Casino Regulation, 2070 (2013) provisions about the applying the license fee and Rule 12 and 13 of the same provision about the renewal fees. Total arrears of NRs. 1 billion 951 million 649 thousand from 6 casinos prevailed up to last year due to non-payment of the royalties payable annually, and out of the amount, NRs. 166.5 million has been recovered from 1 casino in this year and NRs. 1 billion 785 million 149 thousand has still stood as outstanding arrears of 5 casinos. Amongst the casinos, 2 casinos are not in operation presently and 3 casinos have been liquidated as per decision of the Ministry of Culture, Tourism and Civil Aviation. Out of the amount, the renewal fee of NRs. 6 million 250 thousand and the royalty of NRs. 123 million 750 thousand have been received in this year as per the order of the Supreme Court and hence, the remaining amount should be recovered by updating the arrear accounts.
10. **Telecommunication Revenue** - Rule 26 of the Telecommunication Rules, 2054 (1997) provides that any person obtaining a license shall have to pay 4 percent of total annual income amount as royalty every year. It is observed that the royalty and fines amounting to NRs. 130.7 million to be paid by various 9 telecommunication service providers in their last year's incomes and the royalty and fines amounting to NRs. 14 million 254 thousand chargeable on the incomes collected as various fees by 7 service providers from the clients, have not been deposited, and hence, the amounts should be recovered. Similarly, Rule 31 of the Telecommunication Rules, 2054 (1997) provisions that the radio frequency fee shall be paid within 6 months of the ending of each year; additional frequency, maximum frequency and VSAT fee - excluding the minimum frequency, shall have to be paid for each fiscal year in advance within 3 months of beginning of such fiscal year; and if any firm fails to pay such fees, an extra fee shall be charged on the outstanding fees. In this year, since one service provider has not deposited the frequency and VSAT fees amounting to NRs. 243.4 million, the amount should be recovered.

11. **Additional Fee** - Rule 12 of the Telecommunication Rules, 2054 (1997) provisions that while renewing the licenses, each service provider shall have to submit an application to the Telecommunication Authority by depositing the agreed renewal fee as per agreement. If any license is not renewed within the specified time, the licenses may be renewed by recovering an additional fee. Since the second time renewal due date of a company operating telecommunication service scheduled to complete on 2019/05/08, the company was required to submit the application by depositing renewal fee NRs. 20 billion for renewing the license 3 month before the date or within 2019/02/08. However, the company had deposited only NRs. 189 million out of the NRs. 20 billion within specified time and the balance NRs. 19 billion 811 million has been deposited only on 2024/05/07, and hence, an additional fee NRs. 2 billion 971.65 million - at the rate of 15 percent of the unpaid amount, should be recovered. Likewise, with regards to one private sector company obtaining the license for 10 years on 2004/09/01, the company was required to deposit NRs. 20 billion within 2024/05/28 for third time renew of the license for 5 years, but it has deposited only NRs. 6.40 billion with the specified time, and hence, an additional fee NRs. 2.04 billion - at the rate of 15 percent on the outstanding amount NRs. 13.60 billion, should be recovered. Thus, altogether, NRs. 5 billion 11.65 million should be recovered from the 2 companies.
12. **Unified License Fee** - Section 11 of the Telecommunication Service Radio Frequency (Allocation and Pricing) Policy, 2073 (2016) has made the arrangements relating to the renewal fee of basic telephone services. It is stated that the service provider, after obtaining a license from the Nepal Telecommunication Authority, is required to pay specified fee for the ten years period since the year of obtaining license. The service providers obtaining such licenses in accordance with the provision are required to deposit NRs. 3.40 billion up to 2023/24, but they have not deposited the amount. Hence, the amount should be recovered.
13. **Fee Determination** - As per the Electricity Regulatory Commission Act, 2074 (2017), any person or institution having obtained licenses of hydro-electricity distribution shall be liable to deposit the fee at the rate of 0.3 percent of the income received from the sales for the 2021/22, 2022/23 and 2023/24. However, the Nepal Electricity Authority that obtained license of electricity selling, have not deposited total fee NRs. 909 million 895 thousand - including NRs. 261 million 464 thousand of 2021/22, NRs. 301 million 37 thousand of 2022/23, and NRs. 347 million 394 thousand of 2023/24 in the Commission's Fund, and hence, the fee amounts should be recovered and deposited in the Commission's Fund.

- 14. Efficiency in Appropriation** - Section 6 of the Financial Procedures and Fiscal Accountability Act, 2076 (2019) provides the arrangements related to the preparation of the Medium-Term Expenditure Frameworks; Section 7 provides about the estimation of resources and determination of expenditure ceilings; and Section 10 provides about the appropriation of budget and Section 19 provides about the implementation of budget and expenditure. Pursuant to the formulation of budget of the Government of Nepal, the status of last 3 years' budget estimation made by prior year's Medium Term Expenditure Framework, ceiling fixed by the Resource Committee and appropriated budget and expenditure are as given below:

(NRs. in Billions)

Fiscal Year	Prior Years' MTEF Ceiling	Resource Committee's Ceiling	Appropriated Budget	Actual Expenditure	Expenditure Percent
2023/24	1,931.00	1,688.40	1,751.31	1,393.16	79.55
2022/23	1,793.10	1,745.00	1,793.83	1,421.33	79.23
2021/22	1,697.57	1,562.50	1,647.58	1,310.00	79.51

As per above statement, the budget expenditure compared to the appropriated budget has been found in decreasing trend despite of higher amount of budget appropriation than the amount ceiling fixed by the Resource Committee. Hence, improvements are needed in the spending capacity.

- 15. Budget Appropriation and Expenditure** - Section 10 (3) of the Financial Procedures and Fiscal Accountability Act, 2076 (2019) provisions that the budget shall have to be appropriated on the basis of expending capacity. In fiscal year 2023/24, the total expenditure of NRs. 1 trillion 393.16 billion (79.56 percent) has been incurred as compared to the initial budget appropriation of NRs. 1 trillion 751.31 billion. Of the total budget appropriated, the Government of Nepal had spent only 79.51 percent in 2021/22 and 79.23 percent in 2022/23. Since 20.44 percent of the appropriated budget has not been spent in 2023/24, the budget appropriation should be made realistic.
- 16. Virement** - Out of this year's total budget NRs. 1 trillion 751 billion 312.1 million, the virement of NRs. 256 billion 410.3 million (14.64 percent) has been done. Out of the amount, the virement of NRs. 26 billion 903.4 million has been done in the month of Ashadh 2081 (14th June - 15th July 2024) and NRs. 15 billion 983 million in the last week of the Ashadh 2081 (9-15 July 2024) in order to add/subtract the budgets in/from various budget Heading/Sub-headings. Rule 32 of the Financial Procedure & Fiscal Accountability Rules, 2077 (2020) provisions that any virement shall not be done until the ending of first quarter

period, however, the virement of NRs. 11 billion 640.7 million (4.54 percent of total virement) has been done during the period of first quarter of this year.

Although no appropriation made for 23 programs in the initial budget, the budget of NRs. 11 billion 759.8 million has been maintained in the programs by making virement. Similarly, it is mentioned in this year's budget that any budget appropriated in National Pride Projects shall not be transferred in any other heading except other National Pride Projects, however, the virement of budget NRs. 5 billion 285 million appropriated in 8 National Pride Projects has been done in other projects other than the National Pride Projects.

Section 3(4) of the Appropriation Act, 2080 (2023) has provisioned that the amount appropriated in grant number 601 and 602 can be disbursed and expended making virement in the grant numbers in which the amount is disburseable and expendable. As per the arrangement, the incurring any expenditure from the grant numbers 601 and 602 is not allowable, but the expenditure of NRs. 75 billion 111.3 million has been spent from the grant numbers.

17. Implementation of Periodic Plan - The status of projected indicators and achievements of the Fifteenth Plan approved by the NPC are as follows:

S.No.	Indicators	Base Year (2018/19)	Target Up to 2023/24	Actual Achievement of 2022/23	Estimated Achievement Up to 2023/24
1	Annual Average Economic Growth Rate (Percent)	6.8	10.3	2.3	3.5
2	Annual Average Growth Rate of Agriculture Sector (Percent)	4.8	5.8	2.7	3.0
3	Annual Average Growth Rate of Industry Sector (Percent)	12.2	14.6	1.4	1.2
4	Annual Average Growth Rate of Service Sector (Percent)	7.9	10.7	2.4	4.5
5	Annual Average Price Rise (Percent)	4.6	6.0	7.7	6.0
6	Per-capita National Income (In US Dollar)	1,047	1,595	1,405	1,456
7	Population below Poverty Line (Percent)	18.7	9.5	20.3	20.3
8	Human Development Index	0.579	0.624	0.601	0.609
9	Life Expectancy (At the time of birth, Year)	69.7	72.0	71.3	71.6
10	Population with Access to Drinking Water Service (Percent)	89	99	97.0	97.0
11	Literacy Rate (Over 5 Year Age, Percent)	58	95	76.2	78.0

S.No.	Indicators	Base Year (2018/19)	Target Up to 2023/24	Actual Achievement of 2022/23	Estimated Achievement Up to 2023/24
12	Electricity Generation (Installed Capacity, Megawatt)	1250	5820	2962	2962
13	Families with Access to Electricity (Percent)	88	100	96.7	98
14	Population with Access to Internet Service (Percent)	65.9	80	69.2	75

Source: Sixteenth Plan, Medium Term Expenditure Framework, 2024/25

Compared to the base year, some positive improvements have been witnessed in a few indicators up to the ending year of the plan period, but the progresses have not been achieved as anticipated. The Sixteenth Plan has been implemented presently despite of non-achievement of the Fifteenth Plan's Goals as per anticipation. In order to achieve the goals envisaged by the Plan, the monitoring works of the NPC should be made further effective making the subject-wise ministries accountable.

- 18. National Pride Projects** - With the objectives of creating the foundation of road infrastructure development for prosperous Nepal, raising agriculture sector production and productivity through irrigation facilities, constructing hydropower and airports, arranging water supplies, conserving of cultural heritages etc., the Government of Nepal had proclaimed the National Pride Projects to 17 projects appearing significance in 2011/12 so as to implement them according high priority. The number of such projects has reached 27 up to this year. The status of expenditure incurred and progress achieved of the national pride projects as of 2023/24 are as follows:

(NRs. in Billions)

S. No.	Name of Project	Commenced Year	Estimated Completion Year	Total Cost Estimate	This Year's Expenditure	Total Expenditure Till Date	Physical Progress Percent
1	Pushpalal (Mid-Hill) Highway Project	2007/08	2027/28	84.33	4.21	69.17	77.32
2	Railway, Metro Rail and Mono Rail Development Project	2008/09	not disclosed	1500.00	2.96	33.45	not disclosed
3	Karnali Corridor (Khulalu-Hilsa-Simikot- Salisalla)	2012/13	2027/28	18.66	0.71	2.52	22.60
4	Koshi Corridor (Khandbari to Kimathangka)	2008/09	2028/29	16.20	0.57	5.58	35.00
5	Kaligandaki Corridor (Gaidakot-Korala Road Section)	2009/10	2026/27	35.79	2.27	19.04	71.36
6	Postal Highway Project	2009/10	2026/27	101.63	5.22	64.87	66.91
7	Rani Jamara Kulariya Irrigation Project	2010/11	2023/24	27.7024	1.98	20.0368	74.72
8	Sikta Irrigation Project	2004/05	2032/33	52.64	0.88	21.4847	41.79

S. No.	Name of Project	Commenced Year	Estimated Completion Year	Total Cost Estimate	This Year's Expenditure	Total Expenditure Till Date	Physical Progress Percent
9	Babai Irrigation Project	1988/89	2025/26	18.9630	0.76	13.4392	72.22
10	Mahakali Irrigation Project	2006/07	2030/31	35.00	1.22	8.0205	22.18
11	Bheri-Babai Diversion Multi-purpose Project (Except Bheri Corridor Irrigation)❖	2011/12	2027/28	33.1966	1.50	16.50	65.00
12	Budi Gandaki Hydropower Project	2012/13	2026/27	260.00	-	42.65	not disclosed
13	Sunkoshi Marine Diversion Multipurpose Project	2016/17	2028/29	49.4231	6.45	15.3649	34.4
14	Upper Tamakoshi Hydropower Project	2010/11	Completed	49.29	0	52.98	Completed
15	Pachhim Seti Hydropower Project	Proposed 2025	Proposed 2030	273.85			
16	Pashupati Area Development Trust❖	2013/14	Regular	2.27	0.19	3.69	not disclosed
17	Lumbini Area Development Trust	2012/13	2026/27	13.26	0.42	8.31	88
18	Pokhara Regional International Airport❖	2017/18	2022/23	24.86	0	24.58	99.60
19	Nijgadh International Airport Project	2014/15	2028/29	165.00	0	1.06	Not Commenced
20	Gautam Buddha International Airport❖	2014/15	2021/22	30.91	0	29.93	Completed
21	Melamchi Water Supply Project (Including Second Phase)❖	1998/99	2028/29	28.79	0.58	31.91	99 (First Phase) 8.67(Second Phase)
22	Kathmandu-Tarai Madhesh Fast Track	2007/08	2026/27	211.93	17.87	67.11	35.38
23	President Chure-Terai Madhesh Conservation Development Board	2014/15	2036/37	249.72	0.9021	14.96	Not Measured
24	Electricity Transmission Project (Dollar)	2017/18	2028/29	0.697	0.01355	0.06137	not disclosed
25	Mulpani Cricket Academy & Stadium	2023/24	not disclosed				
26	Girija Prasad Koirala Cricket Stadium	2023/24	2028/29	not disclosed			
27	Gautam Buddha International Cricket Stadium	2023/24	not disclosed				

Note: The works of Pachhim Seti Hydro-power Project and Nijgadh International Airport Project have not been commenced till now.

- ❖ The cost estimates and cumulative expenditure amounts have been updated by making adjustments in the figures mentioned in the last year's report.

As per the data of the National Planning Commission, the amended medium-term budget estimate of 27 National Pride Projects - including 3 projects added in this year, is NRs. 2 trillion 272 billion 426.1 million, out of the amount, the total NRs. 487 billion 325.6 million has been spent in the projects - excluding the Gautam Buddha Airport and Upper Tamakoshi Hydro-Electricity Project,

which have achieved one hundred percent progresses up to 2023/24. Out of the 27 National Pride Projects, 2 projects have already completed, 3 projects have achieved 80 percent or above overall physical progress, 6 projects have achieved 50 to 80 percent physical progress, 6 projects have achieved below 50 percent progress, 8 projects have not disclosed the physical progress, and 2 projects have not been commenced yet. In the Pashupati Area Development Fund, which was supposed to complete by the fiscal year 2021/22, only 88 percent progress has been achieved up to this year, but the revised completing year has not been determined. The construction works of five projects - including Rani-Jamara-Kulariya, Sunkoshi Marine Diversion, Postal Highway, Kathmandu-Tarai Fast Track, Lumbini Area Development Fund, which are supposed to complete in 2023/24, have not been completed and the time extensions have been granted.

19. **Game-Changer (Rupantarankari) Project** - For achieving the national and subject/sector-wise goals/objectives set by the Fifteenth Plan, total 17 projects have been implemented by declaring as the Game-Changer Projects, which includes 5 projects of economic sector, 4 of social sector, 7 of infrastructural sector and 1 from democracy and good governance sector. Out of the 17 projects, no progress has been achieved in 5 projects. Except the 5 projects, the progresses of the remaining projects have been appeared below 55 percent. The construction works of 6 projects including the Forest for the Prosperity, Strengthening of Land Administration, which are required to be completed in this year, has not been completed and the time extensions are granted. A statement presenting the status of financial and physical progress of the Game Changer Projects/ programs has not been prepared as the mid-term review of such projects/ programs has not been conducted. The commission should conduct effective monitoring to review ongoing projects and programs and achieve results by completing them on time.
20. **Project Bank and Budget Appropriation** - Rule 26 of the Financial Procedures & Fiscal Responsibility Rules, 2077 (2020) mentions that no budget shall be appropriated in the project that is not included in the project bank. Out of the 18 thousand 12 projects included in the project banks, 7 thousand 705 projects are in ongoing condition. Out of them, 2 thousand 183 projects are run under the Ministry of Urban Development and 3 thousand 185 projects are run under the Ministry of Physical Infrastructures and Transportation. The description of projects included in the project banks of the Ministries and the budget appropriated in such projects are as follows:

Ministry	Number of Recurrent Projects in Project Bank	Number of Project the Budget Appropriated	Number of projects for which Budget Appropriated without Inclusion
Ministry of Physical Infrastructure & Transportation	3,185	3,990	805
Ministry of Urban Development	2,183	7,145	4,962

Though the two ministries have included 5 thousand 368 projects in the first priority, they have appropriated budgets for 11 thousand 135 projects, which indicates that the budgets have been appropriated for the projects that are not included in the project banks.

- 21. Progress of the Sustainable Development Goals** - The status of the progress achieved up to 2022, the progress achieved against the goals of 2030, and the estimated progress achievable up to 2030 are as follows:

S.No.	Particulars	Progress Status Up to 2022 (Percent)		Estimated Progress that can be achieved up to 2030 (Percent)
		In Comparison to Goals of 2022	In Comparison to Goals of 2030	
1.	No Poverty	78.1	54.1	78.6
2.	Zero Hunger	68.3	44.9	71.5
3.	Good Health and Well-being	48.7	41.5	56.8
4.	Quality Education	66.1	43.9	71.1
5.	Gender Equality	57.9	38.0	58.1
6.	Clean Water and Sanitation	63.5	36.3	57.8
7.	Affordable and Clean Energy	63.5	39.5	70.1
8.	Decent Work and Economic Growth	31.5	19.7	34.7
9.	Industry, Innovation and Infrastructure	41.0	30.4	42.0
10.	Reduced Inequalities	72.5	44.8	72.3
11.	Sustainable Cities and Communities	97.2	76.1	89.0
12.	Responsible Consumption and Production	38.6	29.5	43.1
13.	Climate Action	55.3	43.4	53.9
14.	Life Below Water	-	-	-
15.	Life on Land	69.3	59.9	67.5
16.	Peace, Justice and Strong Institutions	57.4	35.8	55.1
17.	Partnership for the Goals	34.9	22.3	37.7
	Total	58.6	41.7	60.5

Source: Sustainable Development Goals, Voluntary National Reviews (VNRs), 2024

As per above data, the achieved progress stands at 58.6 percent based on the goals of up to 2022. With more than half of total period, the overall achieved progress has been only 41.7 percent, and thus, the progress achievable up to 2030 is likely to remain 60.5 percent. In order to achieve the progress specified in the Sustainable Development Goals, the Commission should play leading role.

- 22. Evaluation of Sustainable Development Indicators** - The status of goals set and progress of some key indicators of the Sustainable Development Goals are as follows:

Name of Indicator	Goals	Progress	Name of Indicator	Goals	Progress
Population having Income below 1.25 USD per day (Percent)	17	Not Assessed	Women Participation in Leadership Level of Government Sector (Percent)	21.3	16.6
Population having Income below 1.9 USD per day (Percent)	22.9	15			
Population below Poverty Line (Percent)	13.8	20.27	Population Using Safe Drinking Water (Percent)	50	25.81
Social Security Expenditure (Percent)	12.9	14.8	Electricity Consumption per person per hour (Kilowatt)	542	380
Maternal Mortality Rate (per 100 thousand)	116	151	Electricity Generation and Installed Capacity (Megawatt)	5417	2767
Child Mortality Rate below 5 year (per 100 thousand)	27	33	Share of Renewable Energy on Total Energy (Percent)	29.7	7.6
Infant Mortality Rate (per 100 thousand)	16	21	Average Expenditure of a tourist per day (US Dollar)	65	40.5
Primary Education Enrolment Rate (Percent)	99	97.1	Average Stay of a tourist (Day)	15.5	13.1
Primary Education Pass Rate (Percent)	93.1	77.1	Share of Revenue compared to GDP (Percent)	24.2	19.9
Literacy Rate of 15-24 Age Group (Percent)	95	93.8	Budget Expenditure from Local Budget (Percent)	77.9	67.4
Gender Inequality Indicator (Indicator)	0.29	0.452	Public Debt compared to GDP (Percent)	30.5	42.7
Women Participation in Leadership Level of Private Sector (Percent)	34.3	29.61	Unemployment Rate of 15-24 Age Group (Percent)	20	38.1

Source: Sustainable Development Goals, Voluntary National Reviews (VNRs), 2024

As per above statement, the anticipated progresses have not been achieved in the majority of indicators of the Sustainable Development Goals. In order to achieve the anticipated progresses of the Sustainable Development Goals in the Federal Government, Provincial Government and Local Levels, the budgets should be appropriated focusing on the goals and the monitoring of expenditures should also be conducted.

- 23. Cash Plan** - Rule 29 of the Financial Procedure & Fiscal Responsibility Regulations, 2077 (2020) provides that the Ministry of Finance shall have to prepare a Cash Plan in coordination with various entities by assessing cash needs of the Government of Nepal. However, the Ministry has not formulated the Cash

Plan in accordance with the provision. In current year, the Government of Nepal has taken the foreign loan of NRs. 113 billion 271.4 million and internal loan of NRs. 234 billion 423.4. million. Out of these amount, fiscal transfer of NRs. 37 billion 44.7 million has been made to the Provinces and Local Levels.

Out of these amounts, total NRs. 149 billion 260.7 million - including NRs. 69 billion 827.7 million existed in various accounts of the Provinces (including NRs. 50 billion 909.8 million of the Provincial Consolidated Fund) and NRs. 79 billion 433 million existed in various accounts of the Level Levels (including NRs. 60 billion 508.1 million of Local Consolidated Funds) - has been retained as balances in the Provinces and Local Levels without incurring expenditure in this year. Though the Federal Government has taken loans citing lack of resources, the Provinces and Local Levels have retained unspent balances out of the amounts received from the Federal Government. While calculating the interest on the unspent amount on the basis the internal loan's average interest rate 5.27 percent per annum of 2023/24, total interest of NRs. 7 billion 866 million has to be paid by the Federal Government for the unspent balances retained by the Provinces and Local Levels. Likewise, the government has to pay interest even when the amount transferred through loans has not been spent and remains outstanding. Hence, the Ministry should formulate a cash plan and mobilize the remaining amounts at provinces and local levels.

- 24. Loan Investment** - The data of Loan Investments obtained from the Public Debt Management Office shows that the Government of Nepal had made total loan investments of NRs. 397 billion 65 million in 83 institutions till last year. The loan investment amount has reached NRs. 432 billion 327.8 million at the end of this year after adding up this year's investment amount NRs. 41 billion 910.3 million, deducting principal refunded amount NRs. 7 billion 261 million and adding up other added adjustments NRs. 613.5 million. According to the Annual Report of the Public Debt Management Office, the loan investment made amount in this year is shown NRs 41 billion 910.3 million, but, it has shown the amount as NRs. 34 billion 290.7 million in the Consolidated Financial Statement without providing any disclosure relating to the difference amount NRs. 7 billion 619.6 million.

Out of the Public Enterprises (PEs) - in which the Government of Nepal has made share and loan investments, the share investments of NRs. 1 billion 315.5 million are shown in 21 privatized PEs and the loan investment of NRs. 3 billion 315.5 million are shown in privatized 16 PEs. Of these loan investments, the principal of NRs. 3 billion 135.5 million and interest of NRs. 3 billion 510.3

million have been found overdue. The Government of Nepal has further invested NRs. 5 billion 513.7 million to settle the liabilities of 15 privatized PEs. The loan investment amounts of the PEs should be reconciled and made clear.

25. **Extra Burden on the Consolidated Fund** - Out of total loan investment NRs. 432.33 billion made by the Government of Nepal in the PEs, NRs. 2 billion 759.5 million has been invested from the foreign debt. Of the loans provided from the foreign debt, the NRs. 99.88 billion, including the principal NRs. 31.22 billion of 34 PEs and interest NRs. 68.66 billion of 6 PEs has been found overdue. Even though the concerned PEs have not redeemed the principals and interests within the period as specified in loan agreements, the Government of Nepal has been paying the principals and interests of the foreign debt from the Federal Consolidated Fund within the time as specified in the amortization tables. An additional pressure has arisen upon the Federal Consolidated Fund, as the principal and interest of the invested loans have not been refunded as per the agreements entered between the Government of Nepal and the concerned PEs.
26. **Public Debt** - As per the data obtained from the Public Debt Management Office, the total debt to be redeemed by the Government of Nepal has reached NRs. 2 trillion 434.10 billion at the end of Ashadh 2081 (15-07-2024). Of the debt, the share of external debt is NRs. 1 trillion 253.50 billion (51.49 percent) and internal debt is NRs. 1 trillion 180.90 billion 103.7 million (48.51 percent) and the total debt amount has remained 42.67 percent as compared to the Gross Domestic Product (GDP). In this year, total loan interest of NRs. 82.03 billion - including the internal loan interest NRs. 72.77 billion and external loan interest NRs. 9.26 billion has been redeemed. Considering the growth in internal and external debt burden, the debts should be mobilized by formulating an appropriate policy.
27. **Tax Scope** - The Income Tax Act, 2058 (2002), Value Added Tax Act, 2052 (1996) and Excise Duty Act, 2058 (2002) have provisioned that each natural person, in engaged in any occupation, business or transaction, shall have to be registered in the prescribed format and obtain a certificate. The numbers of taxpayers registered in tax office and obtained certificates are as follows:

Description	Up to 2020/21	Up to 2021/22	Up to 2022/23	Addition in 2023/24	Up to 2023/24
Business Permanent Account Number	1,577,383	1,762,413	1,876,305	151,377	2,027,682
Individual Permanent Account Number	2,471,726	3,050,304	3,649,614	617,532	4,267,146
Advance Tax Permanent Account Number	9,998	18,094	28,107	5,223	33,330
Total	4,059,107	4,830,811	5,554,026	774,132	6,328,158

Description	Up to 2020/21	Up to 2021/22	Up to 2022/23	Addition in 2023/24	Up to 2023/24
Registration in Value Added Tax	285,098	291,361	308,477	26,540	335,017
Excise Duty Certificate Issued	103,423	131,127	116,675	20,584	137,259

Source: Annual Report of Inland Revenue Department

As per above data, as compared to 2022/23, the number of taxpayers obtaining Business Permanent Account Number (PAN) has increased by 8.06 percent, the taxpayers registered in VAT has increased by 11.35 percent and the taxpayers renewing excise duty certificate has increased by 17.67 percent in this year.

- 28. Value Added Tax Returns-** Section 18 of the Value Added Tax, 2052 (1996) stipulates that each taxpayer shall determine tax amount every month making self assessment of taxes and file its tax returns within 25 days of the end of each month. The status of VAT implementation by the Inland Revenue Department of previous 5 years is as follows:

Description	2019/20	2020/21	2021/22	2022/23	2023/24
Debit Returns (Percent)	22.17	11.26	10.93	11.31	16.21
Credit Returns (Percent)	48.38	56.13	58.53	58.77	59.59
Zero Returns (Percent)	29.45	32.61	30.54	29.92	24.20
Debit in Ashadh (NRs. in Billion)	11.23	13.46	15.65	14.18	17.30
Credit in Ashadh (NRs. in Billion)	42.4	47.44	70.01	69.85	88.86
Credit/Debit Ratio	3.77	5.49	4.55	4.92	5.14

Source: Annual Report of Inland Revenue Department

As per the Annual Report of the Inland Revenue Department, the VAT returns (internal) with the debit returns of NRs. 17.30 billion and credit returns of NRs. 88.86 billion have been submitted at the end of this year. In order to raise the share of VAT in overall internal revenues and increase the inland collection, various systems, such as - the E-Billing System, Online Connectivity, Billing Enforcements, market monitoring etc. should be adopted.

- 29. Division of Value Added Tax -** Section 6 of the Inter-governmental Fiscal Arrangement Act, 2074 (2018) stipulates that out of the value added tax collected, 70 percent shall be distributed to the Federation and 15 percent each to the Provinces and Local Levels. Total Value Added Tax of NRs. 180 billion 348.9 million has been collected from the imports and deposited in Divisible Fund in this year, and out of these amounts, NRs. 126 billion 244.3 million has been share to the Government of Nepal and remaining NRs. 27 billion 52.3

million has been transferred to the Provinces and Local Levels. Likewise, Section 24 of the Value Added Tax, 2052 (1996) provides that any Value Added Tax (VAT) collected on the imports of goods or services or paid while receiving the goods or services, shall have to be refunded if any amount is not adjusted from the VAT collected from sales within following 4 months continuously and 60 days in case of the exports. The VAT collected amounts have been distributed to the three tiers of governments on the basis of the amount of VAT deposited by the taxpayers registered in VAT during the time of imports of business goods. However, a situation has arisen where the obligation of making VAT adjustments or refunding are to be borne by the Federal Government only. Hence, the policy related to the sharing of VAT collected from the imports should be made systematic.

30. **Foreign Assistance** - As per the Annual Financial Statement of the Federal Consolidated Fund obtained from the Financial Comptroller General Office, as against the budget estimate of receiving total assistance NRs. 262.69 billion - including the foreign grant NRs. 59.94 billion and foreign loan NRs. 212.75 billion in 2023/24, the Government has received total foreign assistance NRs. 142.35 billion (54.19 percent) including the grant NRs. 23.29 billion (excluding technical assistance) and foreign loan NRs. 119.06 billion. In comparison to the estimated amounts of the budget speech, the government has received on an overall only 54.19 percent - including 46.64 percent foreign grant and 55.96 percent foreign loan of the foreign assistance in this year.
31. **Technical and Other Assistance** - The Statement of Technical and Other Assistances of submitted along with the Budget Speech in the Parliament mentioned that total technical assistance equivalent to NRs. 46 billion 195 million 298 thousand will be received in the year - including NRs. 21 billion 845 million 487 thousand receivables to the 131 projects/programs under 15 federal ministries/entities and NRs. 24 billion 349 million 811 thousand receivables to 168 projects/programs from the International Non-Governmental Organizations. However, the government entities have not produced the financial statements for auditing by including the expenditures incurred from the amounts. All assistances should be included in the budgets, and the audits of expenditure incurred from such assistances should also be completed.
32. **Reimbursement-** In the Statement of Ministry-wise Outstanding Reimbursement of the Foreign Grants and Loans prepared by the Financial Comptroller General Office, total outstanding reimbursement has been shown NRs. 20 billion 581.3 million, including the reimbursable loan NRs. 14 billion

330.3 million and reimbursable grant NRs. 6 billion 251 million. The Office has presented the reimbursable amounts by making adjustment of the excess reimbursement received amounts of grants NRs. 16 billion 940.2 million and loans NRs. 46 billion 418.5 million in the projects of various ministries, but the total reimbursable grant and loan amount has been witnessed shortfall by NRs. 63 billion 358.7 million, and the adjustment of the same amount has not been done.

The Financial Comptroller General Office has shown the reimbursement balances of grants amounting to NRs. 8 billion 180 million 48 thousand in the name of 81 closed and name undisclosed projects under 18 ministries as outstanding reimbursement balances or excess reimbursement received after making adjustments. Similarly, it has shown the reimbursement balances of loans amounting to NRs. 6 billion 809 million 54 thousand in the name of 73 closed and name undisclosed projects under 13 ministries as outstanding reimbursement balances or excess reimbursement received. Since the responsibility of making clearance of the outstanding reimbursements of name undisclosed or closed project has not been clearly specified, the concerned ministries and projects should be held accountable and the reimbursement accounts should be settled by establishing coordination with the donors.

33. **Fiscal Transfer** - The National Natural Resources and Fiscal Commission has prepared the Indicators and Work Performance Methods for the fiscal transfer from the Government of Nepal to the Provincial and Local Governments. The Commission has recommended the fiscal equalization grant of NRs. 145.90 billion to the Provinces and Local Levels in 2023/24 making calculations on that basis. In addition, it has also transferred the conditional, supplementary and special grants of NRs. 254.50 billion. The ratio in between total fiscal equalization grant and total conditional grant provided by the Government of Nepal to the Local Levels, which remained 1:1.83 in 2021/22 and 2022/23, has increased to 1:2.2 in 2023/24. In the fiscal transfers of the Government of Nepal to the Provinces and the Provinces to the Local Levels, the share of fiscal equalization grant needs to be increased gradually, but it is found in decreasing order.
34. **Implementation of Report** - In the Follow-up Report issued on 1st June 2024 by the Asia-Pacific Group on Anti-Money Laundering and Counter-Terrorist Financing Measures, it is mentioned that out of 40 recommendations provided in pursuant to the technical compliance, 5 are fully complied, 23 are majority complied, 11 are partially complied, and the Recommendation No. 8 is not

implemented as the concerned laws and regulations relating to the non-profit organizations have not been formulated adequately. Amongst the weaknesses pointed by the Group in its Mutual Evaluation Report issued on 9 September 2023, the progresses have been witnessed in 9 recommendations during the period. Since only partial recommendations are complied, necessary legal and structural improvements should be undertaken in the high-risk areas of 13 subjects inclusive of the corruption, tax (revenue) evasion, fiscal crime (banking offence and hundi) and medium risk areas inclusive of the transfer of narcotic drugs, criminal benefit, and low risk areas of 4 subjects - inclusive of the hijacking and hostage, international terrorism etc.

35. **Enlisting of Farmers and Identity Card** - Section 14 of the Right to Food and Food Sovereignty Act, 2075 (2018) stipulates that the Government of Nepal shall issue identity cards to farmers by identifying and classifying them as specified manner and the privileges, discount, facilities receivable from the state and contribution-based pension as per law shall be provided to the farmers on that basis. The data obtained from the Ministry of Agriculture and Livestock Development shows the enlisting of 1 million 918 thousand farmer families up to this year, but the identity cards to the farmers have not been issued. The works of commencing farmer's pension scheme and establishing farmers' welfare fund have been affected due to non-classification and non-listing and non-issuance of identity cards to the farmers. Hence, the discounts, privileges and subsidies to the farmers should be provided to the farmers by commissioning the works of classifying, enlisting to the farmers and issue of identity cards to the farmers on time.
36. **Grants for Chemical Fertilizer** - Including NRs. 15 billion 808.9 million provided to Krishi Samagri Company Limited for purchasing 420 metric tons chemical fertilizer and NRs. 8 billion 536.4 million provided to Salt Trading Corporation for purchasing 185 thousand metric tons fertilizer, the Ministry of Agriculture and Livestock Development has provided total NRs. 24 billion 345.3 million for purchasing 605 thousand metric tons of chemical fertilizer in this year. From the amount, total 460 thousand 719 metric tons fertilizer has been purchased, which includes 275 thousand 216 metric tons purchased by the Krishi Samagri and 185 thousand 503 metric tons purchased by the Salt Trading. The purchase and sales & distribution of chemical fertilizer should be made effective by commissioning the works - assuring resources on time for managing the purchase works of fertilizers, adopting the procurement procedures regularly by approving annual calendar of fertilizer purchase following the good practices of other countries, making legal arrangements for granting payments through price

adjustments in a condition if the prices of any chemical fertilizers fluctuate in international market, making arrangements for reducing the pressure on fertilizer transportation, preparing reports by conducting regular monitoring and inspection of the sale and distribution status of the fertilizers etc.

37. **Minimum Support Price** - On the recommendation of the Ministry of Agriculture and Livestock Development, the Government of Nepal has been determining the minimum support prices of the paddy, wheat, sugarcane and raw milk only taking the basis of production cost, transportation and last year's prices, but the work procedures related to this have not been prepared. In addition, the minimum support prices of other main agriculture products, except the above-mentioned agriculture products, have not been determined. By formulating the work procedures related to the fixation of the minimum support prices, proper prices of agricultural products to the farmers should be guaranteed on the basis of the farmer's cost security and production cost, and the arrangement for purchasing all other major agricultural products from the farmers should also be done by determining the minimum support prices of all such major agricultural products.
38. **Customs Hiring Center** - In order to provide services with all types of tools/ equipment sets necessary for the promotion of mechanization in agriculture from the production to marketing, 608 Customs Hiring Centers have been established by availing the machines and equipment of value NRs. 3 billion 972.9 million up to this year at 50 percent grant assistance through the Prime Minister Agriculture Modernization Project, Implementation Units and Zone Operations Coordination Committees. However, the operating procedures related to this have not been formulated yet. By preparing procedures relating to this, it needs to make certain that the benefits are receivable to the concerned beneficiaries.
39. **Termination of Contracts** - Section 59 of the Public Procurement Act, 2063 (2007) provides the provision related to the termination of procurement contract and its legal proceedings. It is mentioned in Clause no. 42.2.6 of the procurement contract entered with the construction entrepreneurs that if any procurement contract is terminated prior to the completion of works mentioned in contract agreement, the inadequate amount to cover by the new procurement contract shall have to be recovered from the construction entrepreneurs terminating such contract. Pursuant to an agreement amounting to NRs. 3 billion 469 million 577 thousand arranged with a foreign construction entrepreneur for constructing the Waste Water Treatment Centers in Kodku, Sallaghari and Dhobighat of Kathmandu Valley, the contract agreement has been terminated after the

completion of the works of value NRs. 787 million 725 thousand (27.1 percent). After termination of the contract agreement, a new contract agreement of NRs. 6 billion 549.9 million has been arranged with a foreign construction entrepreneur by preparing the cost estimate of NRs. 6 billion 471.5 million again. The project has forfeited NRs. 979 million inclusive the performance guarantee advances of the former entrepreneur, and also made correspondences for the recovery of NRs. 2 billion 599.9 million equivalent to US Dollar 19 million 498 thousand 582, but the amount has not been recovered till now. The Project should complete the construction works by recovering the determined amounts.

- 40. Confiscation of Property** - Section 17 of the Criminal Property and Means (Freezing, Control, and Confiscation) Act, 2070 (2013) stipulates that any property or means to be confiscated as per decision of a court can be auction-sold or used by the Government of Nepal after issuance of the Court's final verdict or order. The statement provided by the Department for Management of Proceeds Crime shows that the Courts have issued orders to confiscate the price undisclosed lands, shares having face value of NRs. 6.5 million and the increased amount thereon, cash balance NRs. 5 million 165 thousand including interest accrued of 36 defendants of various districts, but the properties have been still used by the defendants till now. The properties should be auction- sold or used by the Government by making confiscation as per the provision of the Act.
- 41. Traffic Management** - Section 3 of the Nepal Police and Province Police (Operations, Supervision and Coordination) Act, 2076 (2019) provides that the function, duty and power related to the traffic management has been conferred to the Nepal Police. The status of country-wide vehicle accidents occurred in past 5 years are as follows:

Fiscal Year	Total Vehicle Accident		Death		Fatal Injury		Minor Injury	
	Number	Increase Percent	Number	Increase Percent	Number	Increase Percent	Number	Increase Percent
2019/20	15,559	17	2,251	(19)	4,624	6	11,593	12
2020/21	20,640	33	2,500	11	6,448	39	18,600	60
2021/22	24,537	19	2,883	15	7,282	13	25,722	38
2022/23	23,597	(3.8)	2,368	(17.84)	5,738	(21.2)	24,488	(4.8)
2023/24	22,927	(2.8)	2,369	0.04	6,160	7.35	25,996	6.16

As per the Traffic Police's 5 year report, the average growth rate of the vehicle accidents has remained 12.48 percent. It is because of the vehicle and road conditions, vehicle pressure, practice of dismantling roads for various purposes, lack of knowledge related to traffic rules, lack of precaution of vehicle

drivers etc., the numbers of death and sustaining fatal injury and minor injury have surged along with growth in vehicle accidents. The concerned entities should make efforts to reduce the growing number of accidents by making appropriate arrangements for the road improvements, road crossings, parking places, installation of road/traffic lights, C.C.T.V., road symbols etc. adherence to the Vehicle Act and Rules and implementing the program for the inter-entity coordination and installation of intelligent traffic lights etc.

42. **Return of Ambassador** - Section 8(a) of the Directives Related to Appointment of Ambassadors mentions that the tenure of any Ambassador shall be 4 years from the attending date in Embassy. In this year, total NRs. 28 million 669 million - including the insurance NRs. 11 million 306 thousand, air ticket NRs. 12 million 443 thousand, transportation NRs. 4 million 830 thousand, has been paid to the 13 Ambassadors that returned prior to the completion of their tenures. When the Ambassadors are called back prior to the completion of their tenures, the liability of the state will grow as an additional expenditure are to be borne for this purpose.
43. **Revenue Recovery and Deposit** - Rule 58(1) of the Financial Procedures and Fiscal Responsibility Regulation, 2077 (2019) provisions that all type of revenues received by the Government of Nepal shall have to be deposited in specified revenue account. In this year, the 39 Missions operating in abroad has collected total revenue NRs. 5 billion 639 million 424 thousand, and out the amounts, they have retained NRs. 1 billion 561 million 743 thousand as closing balances at the end of Ashadh 2081 (15-07-2024) by deducting NRs. 4 billion 77 million 681 thousand with regards to the disbursements. Out of the balance amount, 12 Missions have not deposited NRs. 722 million 960 thousand in the concerned revenue accounts till the end of Falgun 2081 (14-03-2025), and hence, the amount should be deposited in the Consolidated Fund. The revenues collected by the Missions in a fiscal year should be deposited in the Consolidated Fund within the same fiscal year.
44. **Government and Public Land** - The Government of Nepal (Work Division) Regulation, 2074 (2017) provides that the government and public lands shall have to be protected through the management of national records. The Department of Land Management and Records, stated the existence of 3 million 72 thousand hectares of government land, 9 million 399 thousand hectares of public lands and 4 thousand 286 hectares land in name of government offices in its last year report. The Department's survey maps of initial survey and records (Moth) accounts of land are found in worn-out condition, the records of

government and public lands have not been fully incorporated in the Land Records Information Management System, clear statement of lands distributed by the National Land Commission has not been obtained, and the statements obtained are yet to be updated. The record of the government and public lands does not appear to be realistic. It needs to be ascertained whether the lands registered in the name of the Government of Nepal have been distributed to any specific person or not.

- 45. Land Ownership and Safeguard** - Section 7 of the Nepal Trust Act, 2064 (2007) mentions that the property owned by the Trust shall have to be safeguarded by making proper management, and Section 11 of the same Act mentions that any fixed asset owned by the Trust shall not be registered in the name of any specific person or promoter, irrespective of any provisions made in any other prevalent laws. However, the Land Revenue Office, Kalanki has transferred the ownership of 172 ropanis 15 aanas of lands existed in Matatirtha, Thankot, Satungal and Ichangu of Kathmandu, of which the Nepal Trust had obtained the land ownership certificates in past, had been transferred in the name of tenants and their heirs in accordance with the decision of 12/09/2007 of the Government of Nepal, Council of Ministers. With regards to the registration of the Trust's lands in the name of the tenants against the provision of the Act, the ownership of lands has not been brought in the name of the Trust by conducting investigation. Likewise, the ownership of 404 ropanis 6 annas of lands existed in 11 places including - Balaju, Swayembhu, Sheshnarayan, Thankot etc. have not been brought under the Trust's use as the tenants have been still cultivating the lands and one private school has also been run. The status has remained same even though the audit observation was pointed out in previous year report.

The demarcation and protection related works have not been done in more than 15,502 ropanies 2 aanas 4 dams (7886447.61 square meter) of lands registered in the name of the Trust that existed in 8 places - including Dhunibesi Municipality of Dhading District, Godawari Municipality and Godamchaur of Lalitpur, Panchpokhari Thanpal of Sidhupalchowk etc. The properties should be safeguarded in accordance with the provision of the Act. .

- 46. National Highway** - As per the decision dated 27th May 2013 of the Government of Nepal, total 21 highways and 209 sub-highways are maintained under the responsibility of the Ministry of Physical Infrastructure and Transportation. In order to give preference in the programs provided in the List of Powers in course of the implementation of the Federalism, total 80 roads of 14 thousand 913 km having length from 9 km up to 1 thousand 787 km have been enlisted as national

highway as per decision of 2/05/2019 of the Government of Nepal (Council of Ministers). The Department of Roads and entities thereunder have appropriated budget of NRs. 17 billion 442.9 million by approving 6 programs - including the local roads/ bridges, election sector strategic roads, alternative sub-highways development program that are not included in approved national highways and highway, and out of the amount, NRs. 14 billion 812.2 million has been spent.

Under Terai Madhesh Road Infrastructure Special Program, various Road Divisions have entered total agreements of NRs. 738 million 424 thousand for the construction of 32 road projects and granted the payment NRs. 459 million 190 thousand up to this year, and after making the payments, the Government of Nepal (Council of Ministers) has taken a decision on 4th July 2023 for terminating the contract agreements of the roads on the basis of comfort, citing that the roads are under scope of the Province Governments. The Road Division, Jhapa has granted the payment of NRs. 95 million 987 thousand up to this year under 12 procurement agreements of NRs. 215 million 836 thousand, however, the contracts have not been terminated yet as the concerned construction entrepreneurs did not agree to terminate the contracts on the basis of comfort. The practice of implementing projects beyond the national highway should be checked by making work scope clear.

47. **Electric Railway** - The Electric Railways Project has been commenced in 2008/09 with a goal to construct 924.94 kilometers electrified railway line stretching from Kakarbhitta of Jhapa to Gaddachauki of Kanchanpur and 1 thousand 3 kilometers railway line including link-roads. The revised cost estimated of the project has reached to NRs. 1.5 trillion by increasing from the initial cost estimate of NRs. 955.22 billion. The project is scheduled to be complete in 2029/30, total NRs. 33.45 billion has been spent up to this year with the construction of 65-kilometer track-beds and 16 bridges and the compensation distribution of 553 bighas land. The Project should be completed in time.
48. **Embossed Number Plate** - The Department of Transport Management, with an aim to install the embossed number plate in 2.5 million vehicles, has made a contract agreement with a service provider and has carried out the printing of 592 thousand 809 number plates incurring total expenditure of NRs. 926 million 259 thousand. Out of them, 63 thousand 289 set number plates have been installed from the Transportation Management Offices functioning under the Province Governments. By publishing a notice in Nepal Gazette on 8th November 2021, the Department has made a mandatory arrangement for installing the embossed number plate while making any registration, name

transfer, and renewal of new vehicles, and has made mandatory for installing the embossed number plates in all government vehicles from 2022/11/13 onwards, but the arrangements have not been effectively implemented.

49. **Vehicle Driving License** - In accordance with the provision relating to the vehicle driving license as provided in Chapter - 4 of the Vehicle and Transportation Management Act, 2049 (1992), the Department of Transport Management has entered a procurement contract of US Dollar 1 million 498 thousand with one foreign company on 22nd February 2023 with the terms of supplying 1.2 million smart cards within 4th September 2023, however, the agreement time has been extended up to 15th July 2024. Out of the 1.2 million cards supplied during the period, 400 thousand smart cards are distributed to needy users and abroad going persons and 800 thousand cards are retained in stock. Compared to total demand placed for 2 million 571 thousand smart cards up to this year, only 800 thousand smart cards are available in stock, which has caused a shortfall of 1 million 771 thousand cards for meeting the demand. The services have been affected due to non-supply of cards as per the demands.
50. **Overdue Loan and Interest Subsidy** - The loan investment arrangements provision in Rule 16 of the Youth and Small Entrepreneur Self-Employment Fund (Operations) Regulation, 2077 (2020) mentions that any lender failing to pay the amount as per specified schedule or misusing the amounts that invested from the Youth and Small Entrepreneur Self-Employment Fund, shall be liable to pay additional 2 percent interest. As per the statement obtained from Youth and Small Entrepreneur Self-Employment Fund, total NRs. 1 billion 226 million 798 thousand - including the principal NRs. 1 billion 68 million 591 thousand, interest applicable on the amount NRs. 128 million 119 thousand and fine NRs. 30 million 88 thousand, is to be recovered by 1 thousand 239 cooperative organizations as of 15th July 2024. Similarly, with regards to the outstanding principal NRs. 315 million 333 thousand to be recovered by 15 banks and financial institutions, the records have not been maintained by computing the applicable interest and penalty. The outstanding principal, interest, and penalty should be recovered by ascertaining the amounts as per the agreements.
51. **Encroachment of Forest and Protected Areas** - Section 49 of the Forest Act, 2076 (2019) and Section 5 of the National Parks and Wildlife Conservation Act, 2029 (1972) mention that any act of making encroachment of national forests area and national parks shall be regarded as a punishable crime. It is stated in the statement obtained from the Department of Forest and Soil Conservation that total 104 thousand hectares forest areas existed in 65 districts have been under

encroachment. Likewise, the protected areas of 4 thousand 221.67 hectares land under scope of the Department of National Parks and Wildlife Conservation was also under encroachment up to last year, but the encroached lands of 182.55 hectares existed in Shivapuri Nagarjun National Park, Banke National Park have not been cleared even in this year. The concerned Ministry should take steps to make free from encroachments by taking actions as per the prevalent laws and updating the status of the encroached forests and protected areas.

52. **Forest Development Fund** - Section 45 of the Forest Act, 2076 (2019) provisions that if any amount received from the other purpose usage of any forest area, such amount shall be spent by depositing in the Forest Development Fund, and accordingly, total NRs. 2 billion 342.2 million has been collected in the Fund up to this year. Inclusive of the usufruct of forest areas granted to 34 institutions in this year, the usufruct of various forest areas have been granted to 628 institutions up to now, and out of them, total NRs. 1 billion 453.6 million is still outstanding to be collected from 3 road projects inclusive of Kathmandu-Tarai (Madhesh) Fast Track and 12 institutions inclusive of 50 bedded Modern Infectious Diseases Hospital run under the Lumbini Province Government. The amount should be recovered.

Rule 4 of the Forest Regulation, 2079 (2022) provides that any entity getting usufruct of the land shall deposit the expenditure, that required to protect the areas for 5 years, in the Fund as specified by the Department of Forest. Rule 95 of the same Regulation provides that replacement of lands in exchange may be given as per prevalent laws prior the commencement of the Regulation and if such lands cannot be provided, an application may be given for depositing the amount instead its place. Before the implementation of the Forest Act, 2076, 18 thousand 879 hectare lands given to 497 projects, and after that, 2 thousand 378 hectares were leased to 131 projects. As of this year, 21 thousand 257 hectare lands have been provided to 628 projects for use for periods of 7 to 40 years. Monitoring should be done in this regard.

53. **LEAF Coalition Program** - The LEAF Coalition Program has been implemented with an aim to reduce carbon emissions under the accelerating finances of the Governments - the United Kingdom, United States of America, Norway and South Korea etc. and big corporate organizations with the public and private initiatives. Pursuant to this, Nepal had presented a proposal of receiving about USD 300 million at minimum transaction rate of USD 10 per ton by reducing estimated 30 million tons carbon emissions for the period 2022 to of 2026 from 3.20 million hectares forest areas of the Bagmati, Lumbini and

Gandaki Provinces. After the approval of the proposal, a memorandum of understanding was signed in 2022 between the Emergent (program facilitator institution) and Nepal, and hence the program should be implemented by making necessary arrangements for getting the amounts.

54. **New Town Project** - The works of New Town Project has been commenced as a game changer project in 2010/11 with an objective to build and develop the modernized, facility-based and infrastructural towns in 10 main places of the surrounding meeting points of the Mid-Hill (Pushpalal) Highway and North-South Corridor Road within 2029/30. Total estimated cost of the Project is NRs. 1 trillion 178.68 billion for developing 52 New Towns and Settlements - which includes 10 New Towns situated in Mid-Hill Highway, Integrated Development Plans of 15 New Towns (including 10 towns situated in Postal Highway and 5 Towns situated in Tarai-Madhesh), and the protection and promotion of the outlook of 10 settlements out of the settlements situated in Himalayan foot-track as per 13 Smart City Master Plan. Up to this year, total NRs. 8 billion 299 million has been spent from 10 offices by carrying out the land development program in only 4 thousand 777 ropanis land in 10 places, purchasing 189 ropanis areas land, upgrading 589 km road, black-topping of 34 km road, and concreting of 51 km road. The project works have remained in incomplete condition for year due to the addition of new towns prior to the completion of the new towns initially declared by the Project. The programs should be implemented in such a manner so that the project can be completed within the specified time.
55. **Land Pooling Program** - In order to develop Kathmandu Valley as a planned city, the Land Pooling Program has been implemented with the arrangements of providing services and facilities by pooling the lands within the project's scope, selling/distributing the developed house-plots for bearing the expenses incurred in making such arrangements, and returning the outstanding developed house-plots to then land-owners and tenants in a proportionate basis. In Valley, 14 projects inclusive of the Kathmandu Valley Development Authority and Local Levels under the delegated powers have been completed by pooling 5 thousand 819 ropanis area of land and developing 13 thousand 360 house-plots in 3 thousand 821 ropanis area; in 10 recurrent projects, the work of developing 16 thousand 845 house-plots has been ongoing by pooling 7 thousand 905 ropanis land; and a proposal has been prepared for the land development by pooling 9 thousand 90 ropanies land in 7 proposed places. The completed projects have not been handed over to the concerned User Committees, Beneficiary Communities or Local Levels. The completed projects should be handed over by preparing appropriate procedures relating to the project handover.

- 56. Construction of Outer Ring-Road** - The approach of constructing the 72 km-long Outer Ring-Road was initiated in 2058 (2001) with an objective to develop a planned new organized city in 3 districts of Kathmandu Valley on the basis of systematic land pooling, and for the works, a cost estimate of NRs. 56 billion was prepared in 2003/04 for acquiring the necessary lands at the rate of NRs. 500 thousand per aana in order to construct 71.96 km roads with 50 meters width. However, the project works has not been commenced yet. Total NRs. 154 million 346 thousand has been spent till now in the administrative works of the Project. The Ministry of Urban Development should prepare clear policy pursuant to the implementation of the Project.
- 57. Student Enrollment in Medical Education** - Section 17 of the National Medical Education Act, 2075 (2018) provisions that the Medical Education Commission shall determine the number of seats for each educational institute every year and the admission shall be granted on the basis of matching system to the students that selected from the entrance examination. In this year, for the bachelor level 7 thousand 606 seats determined in the 15 programs including medical and Para-medical, 23 thousand 286 (44.12 percent) students have passed out of total 52 thousand 781 students have participated in the entrance examination, and out of them, 6 thousand 342 (27.23 percent) students have got admission. Likewise, in the master level 1 thousand 724 seats determined in 11 programs, 4 thousand 452 students have passed out of total 9 thousand 602 students have participated in the entrance examination, and out of them, 1 thousand 467 (32.95 percent) have got admission. Though large number of students have passed in the entrance examination, the students have not enrolled in 1 thousand 264 seats of the bachelor level and 257 seats of the master level amongst the seats determined by the Commission. Improvements need to be done in this respect by identifying the causes of less number student enrolment than the seats determined in various programs.
- 58. Use and Safeguard of Land** - Tribhuvan University and its subordinate entities have owned total 14 million 789 thousand square meters (1 thousand 479 hectares) land, which consists of 13 million 137 thousand square meters fully owned, 999 thousand square meters usufruct, and 653 thousand square meters other lands. Out of lands, 113 ropanies of land existed in University's Central Office premises, that provided to a private residential school for 15 years, have not been vacated despite of the ending of the due date. Out of the University's lands situated at the bank of the Bagmati River, 15 ropanies have been used by 1 institution and 13 ropanies land have been used by 2 institutions in various dates, however, the University has not received any income from the usage of

lands. Likewise, out of 380 bighas land remained in the name of one Campus run under the Far Western University, 300 bighas have been encroached.

The Nepal Sanskrit University and its affiliated colleges have owned 1 thousand 718 bighas 18 kaththas land in Tarai and 102 ropanies 9 aanas land in Hilly Region, and out of the lands, the tenants have prevailed in 408 bighas land and the disputes of ownership have arisen in 12 bighas land. Total 1 thousand 371 bighas land - including 1 thousand 336 bighas land existed in Dang Deukhuri and 35 bighas out of 326 bighas land existed in Beljhundi area, have been encroached since 2058 (2001). Proper safeguards of the encroached lands need to be done by maintaining central inventory of the properties of the Universities and establishing coordination with the concerned entities, and such lands should be used in income-generating activities.

59. **Visa and Ticket** - Section 24 of the Foreign Employment Act, 2064 (2007) has determined the maximum limit of amounts that the concerned agency can raise as the service charge and promotional expenses from each worker going for specific country or company. The decision of 6th July 2015 of the Ministry of Labour, Employment and Social Security mentioned that the employer should bear the visa and ticket amounts of the Nepali workers going to prime 7 labour destination countries inclusive the United Arab Emirates, Malaysia, Qatar and Saudi Arabia, and the Supreme Court issued a directive order on 2nd January 2019 for implementing the free visa and ticket effective manner. As per the records of the Department of Foreign Employment, out of the total 741 thousand 297 workers that have gone on the foreign employment in 2023/24, the number of workers going in the above-mentioned countries has figured 643 thousand 804 (87 percent) and the number going to the United Arab Emirates has figured 193 thousand 438 (26 percent). The visa and ticket getting processes of the prime labour destination countries should be made easier and economical.
60. **Digital Nepal** - In order to attain the country's economic transformation and prosperity through the use of digital technology, the Council of Ministers approved the Digital Nepal Framework 2076 (2019) on 2019/10/22. By classifying this Framework as a game changer project, the National Planning Commission has prepared the total budget estimate of NRs. 107.50 billion for implementing the initiatives of the Framework, and it has prepared an implementation plan by fixing three phases of timeframe - short-term, medium-term and long-term for implementing 80 activities inclusive of the optical fiber network extension under 8 work areas within 5 years. It is observed that the responsible entity has not been defined for implementing the framework,

appropriated budget has not been fixed to implement the framework, and the framework has not been revised despite of inclusion of annual program for revising the frameworks. By taking measures for the improvement of the situation, an implementable framework should be prepared and implemented.

- 61. Use of Equipment** - Various equipment lying in useless condition include follows - the Koshi Hospital have 5 types of equipment worth NRs. 20 million 865 thousand inclusive of the ventilators procured in past; National Academy for Medical Sciences have 7 types of equipment worth NRs. 42 million 965 thousand inclusive of ventilators, patient monitors that purchased by itself in past and handed over by the Department of Health Services; B.P.Koirala Health Science Academy, Dharan have the portable USG machines and 11 sets of ventilators of value NRs. 55 million 949 thousand handed over by the Department of Health Services in past; and Sahid Gangalal National Heart Center have 1 set Plasma Sterilizer Machine worth NRs. 22.5 million.

The 100 bedded hospital that established by the B.P. Koirala Health Science Academy in past for purpose of Covid-19, has been brought in operation for the purpose of Dengue treatment, but 20 bed ICU along with ventilators and equipment worth NRs. 245 million 152 thousand used by the Hospital have not been brought into operation. Similarly, Trauma Center Hospital have the Cath-Lab Machine of value USD 50 thousand 500 to be used in treatment of heart disease and 14 sets of ventilators of value NRs. 25 million 132 thousand, 5 sets of C-Arm machines worth NRs. 8 million 511 thousand, and Beckman coulter of value NRs. 9 million 966 thousand are not now in operation due to break-down of the equipment. The Ministry of Health and Population should make necessary arrangements for the usage of the equipment by preparing inventory of equipment though conducting monitoring with respect to the operations of equipment existed in various health institutions.

- 62. Operation of Cold Storage** - The statement published by the Department of Agriculture on 2022/07/15 states that total 32 cold storages having total storage capacity of 97 thousand 700 metric tons are constructed in 18 districts by the private and cooperative sector, and out of them, only 2 cold storages of Bara and Ghorahi having capacity of 4 thousand 500 metric tons have been operated in full capacity. It is mentioned that there has been a situation where most of cold storages have been operated only 60 to 70 percent of the capacity and some of small cold storages of the urban areas have been operated at 50 percent of the capacity due to lack of the agriculture products. Amongst the stored products,

the share of potato alone has stood more than 90 percent. The constructed cold storages should be operated in full capacity by preparing the business work plans.

63. **Agriculture Insurance Program** - Pursuant to the agriculture and livestock (including fishery) insurance, total insured amount has reached NRs. 253 billion 707.2 million during the period from 2013/14 to 2023/24, and out of the amount, the grants are provided for the insurance fee NRs. 11 billion 997.3 million and insurance premium NRs. 9 billion 212 million and the insurance claims are lodged for NRs. 9 billion 167.2 million up to 15th July 2024. In a situation if the access of farmers in agriculture and livestock insurance reaches to one hundred percent, the existing grant amount of insurance premium is likely to increase by 25 times. Since the existing agriculture and livestock insurance is based on the equality policy, the equity policy needs to be implemented by conducting a study with regard to its alternative measures. The policy and laws of providing grants on the insurance premium should be formulated and implemented by limiting the insured amount to each farmer family and giving preferences to the small and economically poor farmers.
64. **Claim Settlement of Agriculture Insurance** - The Agriculture, Livestock and Herbs Directives, 2079 (2022) provides that the insurer shall settle claims within the maximum of 57 days from the day of the receipt of acknowledge of the insurance claims. Out of the total demand NRs. 1 billion 700.7 million placed in 14 insurance companies for the settlement of insurance claim under 32 thousand 566 insurance policies in this year, total payment of insurance claim NRs. 1 billion 584.3 million have been given under 33 thousand 128 insurance policy arrangements including the insurance claims of previous year, and the insurance claims of NRs. 374.1 million under 4 thousand 827 insurance policies arrangement are outstanding to be settled. Since the insurers have not received compensation within specified time, they have to face economic crisis, the farmer's trust on the insurance system has been declining and the continuity of insurance policies has also fallen. It has become essential to comply with the timelines by the insurers, make effective to the regulating and monitoring works of the Nepal Insurance Authority, simplify the procedures through the use of digital system, and maintain transparency about the payment processes of the insurance claims.
65. **Subsidized Loan** - The statement obtained from the Nepal Rastra Bank shows that the banks and financial institutions have provided NRs. 187.70 billion subsidized loans as of 2081 Asadh-end (15th July 2024) in accordance with the Integrated Work Procedures Relating to Providing Interest Grants for the

Subsidized Loans, 2075 (2018) and total interest subsidy of NRs. 24 billion 891 million inclusive the interest subsidy NRs. 2.50 billion at the rate of 5 percent of loan of this year, has been provided as of 2081 Asadh-end (15th July 2024). The arrear amounts of the subsidized loans has reached NRs. 100.268.2 billion as of 2081 Asadh-end. The banks have not prepared the subsidized loans and expenditure statement by including the interest subsidies provided on such loans. The loan recovery should be made effective by preparing the above mentioned statements.

66. **Interest Subsidy of Subsidized Loan** - A significant increment has been noticed in the interest subsidy of subsidized loans during the period 2078 Ashadh to 2081 Mangsir (15th June 2021 to 15th Dec 2024). As per the data obtained from the Nepal Rastra Bank, the interest subsidy amount had reached NRs. 16 billion 968 million 508 thousand as of 16th July 2022 compared to NRs. 6 billion 796 million 479 thousand as of 15th July 2021. Likewise, the interest subsidy amount has reached NRs. 22 billion 390 million 816 thousand as of 16th July 2023 and NRs. 24 billion 890 million 959 thousand as of 15 July 2024. Above status shows the expansion of the program and increased involvement of the financial institutions. In order to give continuity to the program of interest subsidy on subsidized loans for long term, more analysis needs to be done.
67. **Commercial Agriculture and Livestock Loan** - Under subsidized loans, total commercial agriculture and livestock loan NRs. 111 billion 255.9 million are approved for 46 thousand 356 borrowers till 2081 Asadh-end (15th July 2024), and out of the amount, total loans of NRs. 86 billion 898.7 million has been provided. Of the loans provided, total loan of NRs. 77 billion 536.1 million has been invested from "A" Class banks and financial institutions to 41 thousand 689 borrowers, total NRs. 8 billion 49.9 million invested from "B" Class banks and financial institutions to 4 thousand 200 borrowers, total NRs. 1 billion 298.4 million invested from "C" Class financial institutions to 445 borrowers, and total NRs. 14.3 million invested from "D" Class financial institutions to 22 borrowers. An analysis needs to be done with regards to the returns receivable from the investments made under heading of the commercial agriculture and livestock loan.
68. **Internal Study Report** - The consultant's report on the study on the use of refinancing and subsidized loans appointed by the Nepal Rastra Bank mentions that it has performed the field-based inspection of 31 thousand 664 borrower's files or 18.34 percent out of total 172 thousand 654 borrowers and 1 thousand 838 projects. In the study report, it has mentioned that out of the loans assessed,

the loans NRs. 6 billion 356 million provided to 7 percent borrowers have not been properly utilized, the targeted groups have not been identified in the loan files of NRs. 18 billion 749 million provided to 12 percent borrowers, the double loan facilities have been provided in case of the loan NRs. 10 billion 491 million provided to 6 percent borrowers, and the suspect of misuse of loans are witnessed in case of the loan NRs. 21 billion 254 million provided to 11 percent borrowers. Moreover, the report has also mentioned that the sample tests have been performed with regards to the commercial agriculture and livestock loan NRs. 5 billion 345.4 million provided to 10 thousand 981 borrowers. It has become essential to make further improvements in the effectiveness and transparency of this subsidized loan program.

- 69. Loans for Aircraft Purchase** - As per the agreements signed between the Employees Provident Fund and Nepal Airlines Corporation on 2013/06/18 for procuring A320 Narrow-Body Airbus 2 Aircrafts, total loan NRs. 9 billion 981 million 117 thousand was issued on the basis of the Government of Nepal's guarantee of NRs. 10 billion, and on the basis of a loan agreement signed on 11th June 2017 for procuring A330 Wide-body Airbus 1 Aircraft, another loan of NRs. 11 billion 996.1 million was issued on the basis of the Government of Nepal's guarantee of NRs. 12 billion. Since the Corporation had not paid the accrued interest timely basis as per the agreements, the Board of Directors of the Fund had taken a decision to capitalize the unpaid interest, and hence, the principal amount of the loans increased to NRs. 28 billion 573.5 million.

Likewise, pursuant to the long-term loan NRs. 12 billion provided through the Employees Savings Growth Retirement Fund of the Citizens Investment Trust, total loan amount invested to the Nepal Airlines Corporation has reached to NRs. 19 billion 390 million 984 thousand as of 15th July 2024 inclusive of the capitalized interest. The Fund has not received the payment amounts from the Corporation as per the loan agreement. The repayment of loans should be received as per the loan amortization schedule and deposited in the special account as per the agreements. While granting any type guarantees by the Government of Nepal, necessary study, analysis and evaluation should be conducted with regards to the detail project study, risk analysis, strengths and weaknesses of such big and long-term projects, and business plan of the borrower etc. and the loan should be provided only after the analysis. Likewise, the loan amounts should be recovered making the arrangement of getting guarantees as per the increased loan liability.

- 70. Project Loan Financing** - Out of the loans provided in accordance with the Point no. 8.2.3 (b) of the Loan, Investment, and Recovery Policy, 2077 (2020) of the 'Employees Provident Fund, Project Loan Financing Fund', if calculated the accrued interest of bad loans, total NRs. 3 billion 991,7 million has remained outstanding to be recovered from 11 business firms - including 6 companies, 4 industries and one hotel. Since the principals and interests have not been recovered in accordance with the Loan, Investment Recovery Procedures and the agreements, the principal and interest of loans should be recovered by conducting more investigations.
- 71. Price Adjustment** - Section 55 (1) of Public Procurement Act, 2063 (2007) provides that unless otherwise provided in procurement contract, if any price needs to be adjusted in the course of implementation of a procurement contract having duration exceeding 12 months, the competent authority may grant a price adjustment. Section 55 (2) of the same Act provides that price adjustment cannot be granted where the work under the contract is not completed due to the delay by the person who has obtained procurement contract or if procurement contract is concluded on the basis of fixed budget. It is observed in audits that the entities functioning under the Ministries - Physical Infrastructure & Transportation, Urban Development and Water Supply, have granted an excess payment of NRs. 210 million 41 thousand by calculating the price adjustments varying with the price index, factors and formulas of the agreements. The amount should be recovered.
- 72. Pre-determined Liquidated Damage** - Rule 121 of the Public Procurement Rules, 2064 (2007) and Procurement contracts stipulate that if any work specified in procurement contract is not completed within the stipulated time due to delay by any construction entrepreneur, a pre-determined liquidated damage at the rate 0.05 percent per day to the maximum of 10 percent of contract price shall be recovered. In accordance with the provision, the entities functioning under the Ministries - Physical Infrastructure & Transportation, Water Resources and Irrigation, Education, Science and Technology, and Defense, have not recovered pre-determined liquidated damage amounting to NRs. 2 billion 81 million 515 thousand. The amount should be recovered.
- 73. Uncompleted Contract** - Section 59 and Section 63 of the Public Procurement Act, 2063 (2007) have provisioned various processes - including obtaining advance guarantees, charging pre-determined liquidated damages, terminating contracts, black-listing etc., in cases if any work is left in intermediate period without completing the works as per contract or any progress has not been achieved as per the contract. Despite of the arrangements made for completing

works within the specified period, the time extensions up to 300 percent of original contracts have been granted extensions time to time, but, the contract works of 416 projects having total contract price NRs. 4 billion 441 million 33 thousand arranged under the Ministries - Physical Infrastructure and Transportation, Energy, Water Resources and Irrigation, Urban Development and Communication and Information Technology, have remained incomplete phases with partial payments. The number of uncompleted contracts has been increasing every year due to the non-commencement of works by the construction entrepreneurs as per contract agreements, not making progress in works and leaving works in middle path. The construction works should be completed taking actions as per prevalent laws and procurement contracts.

74. **Consulting Expenses** - Section 29 of the Public Procurement Act, 2063 (2007) stipulates that a consultancy service may be procured only in the state where any work cannot be performed through the departmental manpower. By procuring the consultancy services for carrying out the works of feasibility studies, designs, preparing master plans and supervising construction works, various offices and projects functioning under 10 Ministries - including Physical Infrastructure & Transportation, Energy, Water Resources and Irrigation, Water Supply, Defense, etc. have spent NRs. 4 billion 513 million 690 thousand, US Dollar 174 thousand and Euro 3 thousand in consultancy services. The dependency on consultants needs to be reduced by taking consultancy services only for very essential works.
75. **Control over Acquired Land** - The lands acquired for the government purpose need to be used as per the specified objective. Various offices functioning under the Ministries - Energy, Water Resources and Irrigation, Defense, Culture, Tourism and Civil Aviation, Physical Infrastructure and Transportation, and Finance have acquired 3 thousand 102 ropanies, 604 bighas and 5.7 hectares lands for the government purpose and expended total NRs. 17 billion 970 million 929 thousand up to this year. However, it has been observed that the records of the houses/cottages and households existed in the acquired lands have not been maintained, and majority of the lands have also not come under controls of the government offices and the expansions of houses/cottages are taking place in some of the acquired areas. The lands acquired by the Government of Nepal through providing compensation, should be used as per specified purpose by bringing such lands under control of the government.

Provincial Ministry and Entity

76. **Province Consolidated Fund** - Article 204 of the Constitution provides that except for the revenues of trusts (*Guthi*), all revenues including grants and loans

receivable to the Provincial Government, shall be deposited in a Provincial Consolidated Fund, and the expenditure will be incurred from the same Fund. As per Province-Wise Statement of Consolidated Funds, 2023/24 obtained from Provincial Treasury Comptroller Offices, the Provinces have collected total income of NRs. 239 billion 792 million 876 thousand inclusive of last year's balance NRs. 65 billion 675 million 313 thousand, and out of that, total NRs. 184 billion 102 million 579 thousand (76.78 percent) has been spent and NRs. 55 billion 690 million 298 thousand has remained as balance.

77. **Divisible Fund** - Inter-Governmental Fiscal Management Act, 2074 (2018) provisions that the revenues raised as vehicle tax shall be deposited in Provincial Divisible Fund and out of the deposited amounts 60 percent shall be deposited in the Province Consolidated Fund and 40 percent in the Local Consolidated Fund. However, total NRs. 316 million 58 thousand, including NRs. 120 million 589 thousand of the Koshi Province, NRs. 175 million 465 thousand of the Madhesh Province, NRs. 680 thousand of the Gandaki Province, and NRs. 19 million 324 thousand of the Sudurpachhim Province, have not been divided as per the provision of the Act. The amount should be divided as per provision of the Act.
78. **Audit of Government Office** - This year, the audits of NRs. 308 billion 892 million 370 thousand - including NRs. 308 billion 561 million 130 thousand of appropriation, revenue, deposit and other transaction of 1 thousand 165 offices under 7 provinces and NRs. 331 million 240 thousand audit backlogs of 1 office has been completed. Nine entities of Koshi Province and 1 entity of Madhesh Province, 2 entities of Gandaki Province, 1 entity of Lumbini Province, 1 entity of Karnali Province and 2 entities of Sudurpachhim Province have remained as audit backlogs.
79. **Fiscal Transfer** - The status of the fiscal transfer and revenue division carried out by the Government of Nepal as per the Inter-Governmental Fiscal Management Act, 2074 (2018) is as follows:

(NRs. in Thousand)

Particulars	Koshi	Madhesh	Bagmati	Gandaki	Lumbini	Karnali	Sudurpachhim	Total
Fiscal Equalization Grant	6509674	6472232	5938805	5649035	6038705	7532614	6314392	44455457
Conditional Grant	5534704	2588755	5748222	2993134	3894139	2654945	2849814	26263713
Complementary Grant	730000	983969	1300000	720000	226705	483181	618852	5062707
Special Grant	760000	1575253	730000	695000	533005	293180	465000	5051438
Total	13534378	11620209	13717027	10057169	10692554	10963920	10248058	80833315
Revenue Division	10000920	9795012	9074972	9237899	8855883	7495871	7364700	61825257
Grand Total	23535298	21415221	22791999	19295068	19295068	18459791	17612758	142658572

As per the Consolidated Financial Statement submitted by the Financial Comptroller General Office, the total amount disbursed to the 7 provinces as the fiscal equalization, conditional, complementary and special grants by the Government of Nepal is shown as NRs. 76 billion 19 million 924 thousand, but the total received amount is shown NRs. 80 billion 833 million 315 thousand in the consolidated financial statements prepared by 7 Provincial Treasury Accounts Comptroller Offices, hence the difference NRs. 4 billion 813 million 391 thousand should be identified and reconciled.

- 80. Revenue Estimate and Collection** - Seven Provincial Governments have prepared the estimate of generating total revenues of NRs. 107 billion 576 million 571 thousand from the tax revenue, non-tax revenue, revenue receivable from division and recovery from irregularities in their Budget Speech 2023/24, but they have collected total NRs. 85 billion 146 million 674 thousand (79.15 percent) only. The revenue bases and sectorial recoveries of the Provincial Governments have been witnessed low in comparison to the estimation. The status of Province-wise revenues projection and collection are as follows:

(NRs. in Thousand)

Province	Projected Revenue	Revenue Collection (Except Grants)	Collection Percent
Koshi	16,225,950	13,419,502	82.70
Madhesh	15,760,002	14,408,376	91.42
Bagmati	31,541,575	26,251,989	83.23
Gandaki	15,354,490	11,432,269	74.46
Lumbini	20,845,500	14,030,237	67.31
Karnali	9,676,512	8,247,085	85.23
Sudurpachhim	13,333,800	8,651,161	64.88
Total	122,737,829	96,440,619	78.57

Since the revenue collection of the Provinces is not in accordance with the revenue projection, the internal source mobilization capacities of the Provinces need to be enhanced to expand the revenue scope and bases.

- 81. Budget and Expenditure** - The Financial Procedure Acts of the Provinces provide that the Finance Minister of each Province shall have to submit Revenue-Expenditure Estimate of each fiscal year in concerned Provincial Assembly, and the status of budget and expenditure of 2023/24 approved by the Provincial Assemblies as per the provisions are as follows:

(NRs. in Thousand)

Province	Annual Budget	Recurrent Expenditure	Capital Expenditure	Total Expenditure	Expenditure Percent
Koshi	36,819,074	11,679,235	16,348,298	28,027,533	76.12
Madhesh	44,114,632	9,255,619	15,289,311	24,544,930	55.64

Bagmati	62,709,078	15,972,503	28,540,700	44,513,203	70.98
Gandaki	33,427,200	7,576,699	14,629,416	22,206,115	66.43
Lumbini	40,550,148	10,418,922	16,017,771	26,436,693	65.20
Karnali	33,415,860	9,175,122	10,693,086	19,868,208	59.46
Sudurpachhim	29,286,640	7,948,950	10,564,627	18,513,577	63.26
Total	280,322,632	72,027,050	112,083,209	184,110,259	65.68

The average percentage of expenditures of the Provinces has remained 65.68 percent against the budgets, out of which the Koshi Province has the highest of 76.12 percent and Madhesh Province has the lowest of 55.64 percent. Designated programs should be implemented by enhancing the work efficiency.

- 82. Virement** - The Financial Procedures and Fiscal Resp Acts of the Provinces provision that the power to make virement of the approved budget amount from one budget sub-heading, source or expenditure heading to other budget sub-heading, source or expenditure heading shall rest on the Ministry that looks the matter of fiscal affairs. In this year, the 7 Provinces have appropriated total NRs. 280 billion 195.3 million as initial budget, but they have retained NRs. 280 billion 322.6 million as net budget after addition of NRs. 33 billion 882.4 million and deduction of NRs. 33 billion 755.1 million through the virement. Out of the amount, the virement done in the month of Ashadh 2081 (14th June - 15th July 2024) by the Koshi Province is NRs. 910 million 936 thousand, Madhesh Province is NRs. 100 million 253 thousand, Gandaki Province is NRs. 948 million 915 thousand, Lumbini Province is NRs. 1 billion 150 million 154 thousand, and Karnali Province is NRs. 44 million 897 thousand. The act of incurring expenditures by making virement of budgets at the year-end need to be controlled.
- 83. Internal Source Mobilization of Provinces** - Out of the total expenditure NRs. 184 billion 110 million 259 thousand incurred by the Provincial Governments in 2023/24, the Province Governments have incurred NRs. 111 billion 769 million 294 thousand from their internal sources. The status of province-wise expenditure is as follows:

(NRs. in Thousand)

Name of Province	Total Expenditure	Expenditure from Internal Source of Provinces	Expenditure Percent
Koshi	28,027,533	15,430,619	55.06
Madhesh	24,544,930	17,008,113	69.29
Bagmati	44,513,203	33,082,826	74.32
Gandaki	22,206,115	12,288,983	55.34
Lumbini	26,436,693	16,069,560	60.79
Karnali	19,868,208	8,852,593	44.56

Name of Province	Total Expenditure	Expenditure from Internal Source of Provinces	Expenditure Percent
Sudurpachhim	18,513,577	9,036,600	48.81
Total	184,110,259	111,769,294	60.71

Out of the total expenditures incurred by the Province Governments in this year, the expenditures incurred from their internal source have stood 60.71 percent on an average and remaining expenditures are borne from the Federal Government's Source. Amongst the expenditures borne from internal sources, the lowest of 44.56 percent expenditure has stood in Karnali Province and the highest of 74.32 percent expenditure has stood in Bagmati Province. The capacity of internal source mobilization should be made effective.

- 84. This Year's Irregularity** - The status of audited amounts and irregularity amounts of 2023/24 of the Government Offices, Other Institutions and Committees functioning under the Provincial Governments are as follows:

(NRs. in Thousand)

Province	No. of Audited Offices	Audited Amount	Total Irregularity Amount	Irregularity Amount Excluding Advances	Irregularity Percent	Irregularity Percent Excluding Advances
Koshi	201	51,416,915	868,189	764,540	1.69	1.49
Madhesh	159	46,000,507	1,163,802	967,788	2.53	2.10
Bagmati	214	82,823,581	851,782	740,872	1.03	0.89
Gandaki	203	41,205,855	519,833	450,084	1.26	1.09
Lumbini	211	54,160,444	658,216	609,456	1.22	1.13
Karnali	140	37,586,699	459,482	358,437	1.22	0.95
Sudurpachhim	162	35,625,977	500,693	480,699	1.41	1.35
Total	1,290	348,819,978	5,021,997	4,371,876	1.44	1.25

As per above table, as compared to the audited amounts, the highest irregularity (excluding advances) of 2.10 percent has appeared in Madhesh Province and the lowest of 0.89 percent has appeared in Bagmati Province.

- 85. Cumulative Irregularity** - Out of the total outstanding irregularity NRs. 31 billion 509 million 520 thousand of the Provincial Governments and subordinate offices, Other Institutions and Committees existed up to last year, NRs. 2 billion 461 million 850 thousand has been cleared up and NRs. 68 million 284 thousand has been added through the follow up audits, and NRs. 29 billion 115 million 954 thousand has remained as outstanding balance. After the addition of this year's irregularity NRs. 5 billion 21 million 997 thousand, the cumulative outstanding irregularity as of this year has reached NRs. 34 billion 137 million 951 thousand. Out of the amount, the unsettled advance is NRs. 9 billion 954

million 129 thousand. The province-wise statement pertaining to this is given below:

(NRs. in Thousand)

Province	Outstanding up to Last Year	Settled in Follow-up Audit	Addition From Follow-up Audit	Balance	Addition of This Year	Cumulative Balance	Advances out of Outstanding Irregularity
Koshi	5,580,407	1,048,013	0	4,532,394	868,189	5,400,583	3,763,342
Madhesh	8,310,858	281,288	10,187	8,039,757	1,163,802	9,203,559	2,822,488
Bagmati	4,280,561	268,279	4,902	4,017,184	851,782	4,868,966	1,034,495
Gandaki	2,685,542	241,103	20,830	2,465,269	519,833	2,985,102	781,633
Lumbini	4,020,969	105,629	1,581	3,916,921	658,216	4,575,137	437,740
Karnali	3,948,254	296,844	9,692	3,661,102	459,482	4,120,584	738,520
Sudurpachhim	2,682,929	220,694	21,092	2,483,327	500,693	2,984,020	375,911
Total	31,509,520	2,461,850	68,284	29,115,954	5,021,997	34,137,951	9,954,129

The Reports related to the Provincial Governments along with the analysis of status of overall audits and their performances have been made public province-wise.

Local Level

- 86. Overall Income and Expenditure -.** Out of this year's total incomes NRs. 641 billion 765.5 million of the audited 753 Local Levels, NRs. 560 billion 568.7 million (87.35 percent) has been spent. Of the total expenditure, the recurrent expenditure is NRs. 288 billion 513.1 million (51.47 percent), capital expenditure is NRs. 145 billion 190.5 million (25.90 percent), and other expenditure is NRs. 126 billion 65.1 million (22.63 percent). In 2023/24, the audited 753 Local Levels have received total NRs. 216 billion 134.2 million from internal sources - including total internal income NRs. 36 billion 175.6 million, revenue division received from the Federation and Provinces NRs. 85 billion 443.6 million, and last year's balances NRs. 94 billion 515 million.

As per the Income-Expenditure Statement submitted by the Financial Comptroller General Office, the amount of authorization and disbursement provided to the Local Levels by appropriating budgets in the Federal Ministries/Entities is shown NRs. 121 billion 364.7 million, and the amount of authorization and disbursement provided to the Local Levels by appropriating in the ministries by Bagmati, Gandaki, Lumbini and Karnali Province is shown NRs. 361.1 million, but the Local Levels have not shown the received amounts in their overall income-expenditure statement. The Consolidated Income-Expenditure should be prepared by including all types of transactions.

- 87. Less balance brought down** - In preparing the consolidated annual report of the receipts and payments, local levels are required to carry forward the previous year's closing balances as the opening balance in the current year. Justifications need to be stated if any difference is found in the transfer of such balances. However, during the current year, 127 local levels have brought-forward short balance of NRs. 1 billion 727 million 639 thousand without disclosing the reasons for such reduction.
- 88. Internal Audit** - Section 77 of the Local Government Operations Act, 2074 (2017) requires each local level to complete the internal audits of their financial transactions. However, 327 Local Levels (43.43 percent) have not completed internal audits in this year and the Local Levels not completing the internal audit figured 307 in last year. The internal audit needs to be completed in accordance with the law.
- 89. Bank Reconciliation** - Each local level is required to prepare the bank reconciliation statement on a monthly basis as per the format specified in A.G. Form no. 212 by reconciling its books of account with bank accounts, however, the local levels have not prepared such statements. In the current year, 66 local levels have the short balance of NRs. 326.6 million in the banks than that shown in the books of account, but they have not ascertained the bank balances by reconciling with the accounts.
- 90. Management of Public Assets** - Rule 99 of the Financial Procedures and Fiscal Responsibility Regulation, 2077 (2019) provisions that each office is required to prepare report by completing inventory inspection. However, 239 Local Levels (31.74 percent) have not completed inventory inspection in this year. Similarly, the circular of 22/11/2020 of the Financial Comptroller General Office mentions that all offices are required to implement the Public Assets Management System (PAMS) mandatorily within 22/12/2020. However, total 112 Local Levels (14.87 percent) have not used the system till this year.
- 91. Virement**- Section 69 of the Local Government Operations Act, 2074 (2017), mentions that any virement may be done in capital heading by not exceeding 25 percent. However, 116 local levels have done virement of total budget NRs. 34 billion 107 million 472 thousand without complying with the provision of the Act. The virement should be done only in accordance with the Act.
- 92. Unallocated Budget** - The Local Government Operations Act, 2074 (2017), provides that the income-expenditure estimate shall have to be prepared by determining priorities of the budget and programs on the basis of resource estimate and fixing the ceilings without keeping any amount as unallocated. In

this year, 315 local levels have approved their budgets and programs by keeping NRs. 6 billion 590 million 381 thousand as unallocated budget. Since the unallocated budgets are spent in petty projects and programs afterwards as per ad hoc decisions of the Executives leading to non-compliance with fiscal discipline, the practices of incurring expenditures by retaining unallocated budget should be controlled.

93. **Grants** - As per the financial statement received from the Financial Comptroller General Office, the status of grants made available by the Federal and Provincial Governments to Local Levels in last 5 years are as follows:

(NRs. in Millions)

Fiscal Year	Equalization Grant	Conditional Grant	Special Grant	Complementary Grant	Total
Received from Federal Government					
2019/20	89,965.2	150,994.1	4,828.4	4,754.0	250,541.7
2020/21	89,973.2	183,302.5	5,834.1	5,088.6	284,198.4
2021/22	94,527.1	184,192.6	5,840.9	4,402.7	288,963.3
2022/23	92,698.4	192,880.3	6,830.0	5,287.5	297,696.2
2023/24	81,225.9	171,300.7	6,015.8	4,854.0	263,396.4
Received from Provincial Governments					
2019/20	6,280.2	8,277.2	2,584.8	5,781.7	22,923.9
2020/21	5,357.6	8,940.9	7,447.9	2,772.6	24,519.0
2021/22	7,105.7	8,721.1	2,145.1	5,731.1	23,703.0
2022/23	7,309.5	10,887.8	2,482.3	5,714.7	26,394.3
2023/24	7,048.0	7,950.3	1,519.0	4,692.4	21,209.7

The above data shows that the share of conditional grants in comparison to the equalization grants received from the Federal and Provincial Governments have been surging in the local levels.

Out of the grants received from the Federal Government in this year, the Local Levels have outstanding balances of total NRs. 395 million 678 thousand to be refunded in the Federal Consolidated Fund, which includes the expenditures NRs. 232 million 826 thousand incurred by 99 local levels against the conditions as witnessed by the audits and inadequate share of partnership amounting to NRs. 162 million 852 thousand of 73 local levels.

As per the Annexure - 3.1 of the Consolidated Financial Statement of 2023/24 obtained from the Financial Comptroller General Office, total NRs. 207 million 806 thousand has been shown as the outstanding amount to be refunded in the Province Consolidated Funds, which includes the unspent balance Ns. 11 million 656 thousand of 7 local levels, expenditures NRs. 50 million 393 thousand incurred by 36 local levels against the conditions as witnessed by the

audits, and inadequate share of partnership amounting to NRs. 145 million 757 thousand of 62 local levels.

94. **Consultancy Service** - Section 29 of the Public Procurement Act, 2063 (2007) provisions that a consultancy service may be procured if any work cannot be done through the manpower availed in the concerned public entities. In this year, 241 local levels have spent NRs. 665 million 280 thousand by procuring consultants for conducting the feasibility studies, preparing detailed project reports and master plans and other consulting services. In last 3 years, total 418 local levels have spent NRs. 1 billion 485 million 326 thousand in the procurement of outside consultants for conducting the feasibility studies, preparing detailed project reports and master plans and other consulting services. The records of study report so received from consultants have not been maintained, and out of the reports prepared by the consultants, 135 local levels have not implemented 448 study reports prepared at total expense of NRs. 323 million 168 thousand.
95. **Recovery of Revenue Arrears** - Chapter-9 of the Local Government Operations Act, 2074 (2017) provides the arrangements related to imposing various taxes and fees under scope of the fiscal powers and recovering arrear amounts with regards to the revenue contract. In this year, 103 local levels have the revenue arrears of NRs. 2 billion 752 million 340 thousand inclusive of the property tax outstanding to be recovered, but all local levels have not updated the records of outstanding revenue arrears to be recovered.
96. **Official Facilities** - The Act related to Local Level Officials and Members' Facilities issued by the Provincial Assemblies provisions that the local level officials and members of the Assembly shall be entitled to get monthly facilities as specified. In this year, various local levels have made total excess payment of NRs. 140 million 612 thousand, which includes the festive expenses NRs. 1 million 396 thousand provided by 13 local levels to the officials and uniform facilities of NRs. 12 million 835 thousand provided by 28 local levels beyond the provision in the Act, and transportation expenses NRs. 50 million 795 thousand provided by 77 local levels by differing with the provisions specified in the Act, the fuel expense NRs. 35 million 767 thousand provided by 53 local levels in excess of the rate specified in the Act, miscellaneous expenses NRs. 14 million 568 thousand provided by 16 local levels in excess of the rate specified in the Act, and other facilities the like cook, house rent, guest entertainment expenses of NRs. 25 million 241 thousand provided by 73 local levels that are not entitled as per the Act.

- 97. Audit, Irregularity and Recovery in Course of Audit** - In this year, the audits of NRs. 1 trillion 107 billion 819.7 million of 753 local levels have been completed. Pursuant to the audit backlog, the audits of total NRs. 10 billion 643.3 million of 8 local levels - including 1 local level of 2018/19, 1 local level of 2019/20 and 6 local levels of 2022/23, have also been completed in this year. Inclusive of the regular audit and audit backlogs, the audit of total NRs. 1 trillion 118 billion 463 million has been completed in this year. Out of total irregularity NRs. 27 billion 709.2 million witnessed in the auditing in 753 local levels in this year, NRs. 2 billion 993 million has been settled after the issuance of preliminary reports, and the irregularity of NRs. 24 billion 716.2 million has remained outstanding to be settled. Of the outstanding irregularity, NRs. 3 billion 429.1 million is 'to be recovered', NRs. 18 billion 955.2 million is 'to be regularized' and NRs. 2 billion 331.9 million is 'overdue advance'. Likewise, the irregularity of NRs. 608 million has appeared in carrying out the audits of audit backlog amounting to NRs. 10 billion 643.3 million of 8 local levels - including 1 of 2018/19, 1 of 2019/20 and 6 local levels of 2022/23.

In this year, total NRs. 1 billion 11 million 259 thousand has been recovered and deposited in the concerned Consolidated Fund, which includes NRs. 539 million 118 thousand recovered by 496 local levels after pointing out of the audit observations and NRs. 472 million 141 thousand recovered by 492 local levels after the issuance of preliminary reports. Pursuant to the local levels, total NRs. 1 billion 774 million 367 thousand have been recovered in this year along with NRs. 763 million 108 thousand recovered by 528 local levels in the follow up audits of previous irregularities,

Performance and Special Audit

Synopsis of the observations witnessed in this year's performance audits of 11 subjects, special audit of 2 subjects, environmental audit of 1 subject, and IT audit of 1 subject are provided below:

- **Performance Audit**

- 98. Status of Exploration and Extraction of Minerals** - From the performance audit on the topic the Status of Exploration and Extraction of Minerals, the audit has witnessed major observations, such as - pursuant to the requirement of using the mineral resources available in the country in a sustainable manner, the works of exploration, extraction, and management of minerals are not carried out systematically; relevant laws have not been amended as per relevancy of time despite of issuance of National Mineral Policy, 2074 (2017) for the

implementation of the powers of three tiers related to minerals; the licenses of searching and extraction of minerals have not been managed properly; and the targets and progresses of mineral exploration have not been fixed and measured etc.

99. **Status of Electricity Generation, Transmission and Usages** - Pursuant to maintaining effectiveness in the construction and generation, transmission and usages of hydro-electricity projects, the audit has witnessed major observations such as - the management of demand and supply is not done; no collaboration is established between the electricity trading plans and infrastructures; time and cost have surged due of non-completion of electricity projects on time; delay has occurred in the installation and transmission works of electricity of completed projects; and necessary and effective coordination are not established in the distribution of compensations, and the construction of transmission lines etc.
100. **Cold Storage Management Program** - The audit has witnessed the observations, the like - an integrated record of the constructed cold stores has not been maintained; electricity is not supplied regularly for operations; lack of skilled manpower for regular operations and repair & maintenance; cold stores are not operated in full capacity; under construction infrastructures have remained incomplete; storage facilities are not availed to the local farmers at privileged rate etc.
101. **Status of Lift-Water Supply Project** - From the performance audit of this project, the audit has witnessed the observations, the like - the project has not conducted the identification of needs; access to safe drinking water has not been increased as per the Sustainable Development Goals and periodic plan; water supply policy is not fully implemented; directives issued on the demand and approval of projects are not fully complied; construction works are not completed within predetermined time; lack of skilled technical manpower in repairs and maintenance of projects; records are not maintained systematically etc.
102. **Status of Postal Highway Construction** - Major observations witnessed by the audit include - the project has been implemented without adequate preparation; the project has achieved only 66 percent physical progress up to now; local obstruction and disputes are not timely resolved; the bridges constructed under design & built methods are not completed on time; alignments in the national parks and forest areas are not determined yet etc.
103. **Operations and Management of Airports** - Major observations witnessed by the audit include - difficulty is faced in complying the arrangements made in

standards as determined by the International Civil Aviation Organization and other institutions due to non-revision of laws and policies timely basis; one window system is not developed as per the arrangements of Aviation Policy; Authority has been involved both in service provider and regulatory roles; the hub airports are not operated as per specified manner; international standards are not fully implemented; the required distances between airports are not maintained as per determined nautical miles; regular flights are not conducted in remote sectors; the operation of Remote Sector Air Service Fund is not conducted systematically; less flights are conducted in the Himalayan and hilly areas than the flight schedule; regular monitoring of the implementation of flight permissions is not conducted; the construction and operations of airports are not conducted on the basis of cost-benefit analysis; Management Information System is not developed and implemented etc.

- 104. Effectiveness of Agriculture and Livestock Insurance Program** - Major audit observations include - the structural, systemic and policy level difficulties have existed in the implementation of operational insurance program; low number of farmer's participation in the insurance program; farmers have not received information about the subsidy; insurance procedures are not simplified; scientific basis is not followed in determination of insured amounts; lack of presence of insurance companies in rural areas; the access of small and marginalized farmers has not been increased, claims settlement procedures are not simplified etc.
- 105. Status of Privileged Loans and Interest Subsidy** - Major audit observations include, the like- adequate studies are not conducted prior to the pronouncement of program; analysis and reviews of past programs are not conducted; stability is affected due to amendment of the procedures time to time; improvements are needed in the identification of targeted groups and distribution of interest subsidies; financial institutions are not encouraged to make investment in priority basis etc.
- 106. Effectiveness of Livestock Sector Innovation Project** - Major audit observations include - the budget expenditures are not incurred as anticipated by implementing the programs as per contracts; no coordination is established between the work scope of the project and budget; several distributed equipment and constructed infrastructures have remained in unused condition; difficulties are faced in insurance claims; attentions are not given by the project in the prevention of diseases and pandemics; training programs are not conducted for the enhancement of managerial and technical knowledge of the farmers; minimal access of women in agricultural property and services; sustainability of the

completed programs has not been achieved by simplifying institutional arrangements; the burden of loans to farmers has increased; sustainability of programs implemented through projects could not be maintained; an emphasis is not given in the continuity of business etc.

- 107. Kathmandu Valley Traffic Management** - Major observations witnessed by the performance audit include – structures like underpass and flyover are not constructed in the main places having heavy traffic; regular repairs and maintenance of the traffic lights and structures are not conducted; facilities are not added in the installed smart lights; life of the vehicles are not determined; improvements are not done in the environmental standards and traffic management as per relevancy of time; awareness enhancement program related to the road discipline and traffic rules has not become effective; orientation programs related to traffic rules are not conducted; the operational corridors faced obstructions, preventing seamless movement; electricity wires have not been made underground; coordination between the related entities including water supply, sewerage management are not established; parking systems are not made systematic; parking boxes are not constructed etc.
- 108. Implementation Status of Detailed Project Reports (DPR) Prepared by Local Levels** - Main audit observations include - the reports prepared by local levels with an objective to propose budget are not fully implemented by including in the budgets of upcoming years; sources are not identified; an emphasis is to be given in the aspect to project bank and its implementation; the programs specified in the approved project reports are not incorporated in budget; programs are approved varying with the approved project reports; the methods and procedures prevailed in the Public Procurement Act have not been fully implemented etc.

Special Audit

- 109. Air Rescue of Pregnant and Postpartum Women** - Main observations witnessed by the special audit of this program include - the preparedness, selection and implementation are not strengthened; the scope and sources have not been extended in coordination with the local levels, health institutions and concerned entities; Emergency Rescue Funds are not strengthened; the certainty of financial resources is not ensured; services are not simplified by using technology in order to manage demands and increase access; helpline services are not operated; no integration is established with the other health and emergency rescue programs of same nature; no easy availability of rescue materials and alternative services; service delivery is not made effective

collaborating with air service providers; difficulties are faced in conducting night rescues etc.

- 110. Status of Economy, Special Audit** - Main audit observations witnessed include - the pressures and complexities witnessed in the external sector, public finance and financial sector of the economy need to be addressed; policy level and procedural improvements are to be undertaken in order to reduce import based revenue dependence, comparative low export and rising trade deficit; efforts are to be made to ensure effectiveness in capital expenditure amid declining revenue and increasing expenditure; attention needs to be given in increasing social security and obligatory liabilities etc.

Environmental Audit

- 111. Management of Wastages Produced by Industrial Estates** - Major observations witnessed by the audit are - the nature and quantity of the wastages produced by industrial estates are growing; harmful and chemical wastages have been released in unorganized manner; wastages are not managed as per specified standards by minimizing discharge of wastes and classifying wastes; wastages are not collected, classified and managed in systematic manner; adequate attention is not given in re-use of wastes, increasing people's awareness and capacity development; modern concepts, such as - energy production from wastes, using wastes as the source of income earning etc. have not been implemented; the works of reuse, purification and processing of wastes, safe processing of dirt water, adoption of modern and improved technology have not been done; the partnership, collaboration and cooperation are not established between the concerned entities; service fees are not determined as per the nature and quantity of wastages etc.

IT Audit

- 112. Foreign Employment Information Management System** - Major audit observations witnessed in IT audit of this system include - the application software have not been developed and used by formulating Information Technology Management Policy; IT infrastructures are not properly managed; long-term strategy is not formulated for the estimation and mitigation of probable risks and upgrading of the system; continuous improvement of database, hardware and fireball and renew of licenses are not done; registering and standardizing information system of government entities in the Department of Information Technology and increasing data storage capacity are not performed; detailed documentation of hardware and software are not done; online tutorial and training programs are not conducted for the enhancement of literacy to the system users etc.

Chapter - 4

Implementation Status of Audit Reports

1. **Audit Report** - In accordance with Article 241 of the Constitution of Nepal, the audits of 5 thousand 759 entities of all Federal and Provincial Government Offices, Local Levels and Other Institutions specified by laws have been completed as per prescribed methods with due consideration to the matters of regularity, economy, efficiency, effectiveness and propriety thereof. While conducting the audits of fiscal year 2023/24 and audit backlogs in this year as per Section 37 of the Financial Procedure and Fiscal Responsibility Act 2076 (2029), total irregularity NRs. 99 billion 236.3 million have been witnessed and the irregularities amounting to NRs. 7 billion 638.4 million have been settled within 35 days after the issuance of preliminary reports and thus, the irregularities amounting to NRs. 91 billion 597.9 million as mentioned below have remained outstanding to be settled:

(NRs. in Millions)

Particulars	Preliminary Report		Settlement from Reply		Outstanding to be settled	
	No. of Section	Amount	No. of Section	Amount	No. of Section	Amount
Federal Government Office	40,481	51,100.6	2,541	3,357.6	37,940	47,743.0
Provincial Government Office	19,798	4,530.6	1,083	330.5	18,715	4,200.0
Local Level	125,829	28,342.6	12,928	3018.4	112,901	25,324.2
Committee /Other Institution (including Provincial)	23,657	15,262.5	1,088	931.9	22,569	14,330.7
Total	209,765	99,236.3	17,640	7,638.4	192,125	91,597.9

Likewise, the performance audit of 11 subjects, environmental audit of 1 subject, IT audit of 1 subject and special audit of 2 subjects have been completed and the reports of same have been issued. Pursuant to the Committees and Other Institutions, the audits of 903 income years including the backlogs of 305 institutions have been completed. In this year, the audit backlogs of 4 offices - inclusive of 3 Federal Government Offices and 1 Local Levels have prevailed. Likewise, pursuant to the previous year's audit backlogs, the audits of 11 offices - including 3 Federal Offices, and 8 Local Levels have also been conducted.

2. **Irregularity Record** - Section 38(1) of the Financial Procedures & Fiscal Responsibility Act, 2076 (2019) provides that the irregularity record shall have to be maintained at each office level, Section 38(2) mentions that the record shall have to be maintained each central level, and Section 38(4) provides that the records of irregularity shall have to be produced before the audits for examination in later years by updating of the settlements or clearance. The Office

of the Auditor General has started to maintain the irregularity records in Nepal Audit Management System (NAMS) since 2020/21, and the Office has been doing follow-up audits and irregularity clearance actions through the same system. The work of systematizing record by making entry of irregularities of prior fiscal years in the system is going on. The irregularity records should be updated maintaining records at each office-level and central-level.

3. **Irregularity Settlement and Follow up Audits** - The Financial Procedures & Fiscal Responsibility Act, 2076 (2019) provides that the irregularity pointed out by audits shall have to be settled by submitting evidences or regularizing or recovering the irregular amounts. The irregularities thus settled shall have to be produced before the Office of the Auditor General for follow up audits. The status of irregularities settlement and follow up audits of the period from 2003/04 to 2022/23 are as follows:

(NRs. in Million)

Particulars	Last Year's Irregularity	Adjustment Plus (Minus)	Cleared /Settled	Last Year's Net Balance	Current Year's Irregularity	Cumulative Outstanding Irregularity
Federal Government Office	342,669.1	0	14,939.6	327,729.5	47,743.0	375,472.5
Provincial Government Office	28,468.4	0	2,186.5	26,281.9	4,200.0	30,481.9
Local Level	193,458.3	8.2	9,501.6	183,964.9	25,324.2	209,289.1
Committee/Other Institution (Including Provincial)	105,268.1	14.9	1,666.3	103,616.7	14,330.7	117,947.4
Total	669,863.9	23.1	28,294.0	641,593.0	91,597.9	733,190.9

Compared to the total outstanding irregularity NRs. 669 billion 864 million remained up to the Auditor General's 61st Annual Report, the outstanding irregularity as of this year has reached NRs. 733 billion 190.9 million after plus adjustment of NRs. 23.1 million, settlement/clearance through follow-up audit of NRs. 28 billion 294 million (4.22 percent), and addition of this year's irregularity NRs. 91 billion 597.9 million.

The follow-up audit works of the Federal Offices was withheld as per letter dated 2022/07/01 of the Public Accounts Committee, House of Representatives, however, the work of follow-up audit has been given continuity as entities/ offices have begun the irregularity settlement works after the amendment in the Financial Procedures & Fiscal Responsibility Act, 2076 (2019) on 2025/04/01. The follow-up audits of NRs. 16 billion 383.9 million has been carried out after the amendment in the Act. Out of the amount, the recovered amount is 10 billion 999 million.

4. **Work Plan For Implementation of Reports** - Section 21 of the Audit Act, 2075 (2019) provisions that it shall be duty of the concerned responsible official to implement the recommendations of the audit reports issued by the Auditor General, and the Auditor General may, in order to ensure whether the matters set forth in the report issued have been improved and the suggestions have been implemented, do acts including to obtain report of activities carried out from the concerned entity, specify the procedures for implementation, make re-examination and give necessary instructions on the matter. Though the Auditor General's Annual has been issuing directives to the responsible officials and chief accounting officers time to time with regards to implementation of the recommendations, such recommendations have not been implemented, which has caused repetition of same nature of audit observations every year.

The Board of Directors and Officials are responsible for enhancement of accountability and transparency in corporate bodies, but the work of implementing the recommendations provided in audit reports has not been done effectively maintaining systematic records, and the records have not been kept up-to-date by settling past irregularities. Each entity, office, institution and committee should prepare work plans for the implementation of audit reports and perform works accordingly.

5. **Efforts Made on Irregularity Clearance** - With regards to the audits and irregularity settlement, discussions with the Chief Accounting Officer, Public Accounts Committees, Officials of Corporate Bodies, Chiefs and Chief Administrative Officers of Metropolitan and Municipalities of inside valley, industrialist and business-persons, and Officials of Institute of Chartered Accountants Nepal was held. The Auditor General and the subordinate teams also participated in various interaction programs organized by the Association of Municipalities and National Association of Rural-Municipalities. Likewise, the Office's team along with the Auditor General also interacted with the Hon'ble Chief of Provinces, Chief Ministers, Province Accounts Committees and Province Governments of 7 Provinces, and clarified the matters/issues related to settlement of audit irregularities and follow-up audits.
6. **Impact of Audit** - In this year, the audit has recovered the following amounts in course of auditing after issuance of Preliminary Report and conducting follow-up audits of previous irregularities:

(NRs. in Thousand)

S.No.	Particulars	Recovery in Course of Auditing	Recovery After Issuance of Preliminary Report	Recovery in Course of Follow up Audit	Total Recovery
1	Federal Offices	451,688	485,318	10,974,126	11,911,132
2	Provincial Offices	46,405	77,952	377,248	501,605
3	Local Level	539,118	472,141	763,108	1,774,367
4	Committee/ Other Institution	-	-	-	297,017
	Grand Total	1,037,211	1,035,411	12,114,482	14,484,121

7. **Annual Report and Discussion** - Article 294 (1) of the Constitution of Nepal provisions that the annual reports submitted to the President by the Auditor General shall be tabled in House of Representative through the Prime Minister, and Article 294(3) of the Constitution provisions that the Auditor General may prepare province-wise separate reports and submit such reports to the concerned Chief of Provinces. Likewise, Section 19(5) of the Audit Act, 2075 (2019) provisions that the provincial reports submitted by the Auditor General shall be tabled in the concerned Provincial Assembly through the Chief Minister.
- 7.1. Rule 178(8) of the House of Representatives Rules, 2079 (2022) provides that the Public Accounts Committee shall, upon scrutinizing the irregularities provided in the Auditor General's Annual Report submitted in House, issue necessary directives by studying with regards to whether or not the works/ actions done by the Auditor General and the works/actions to be performed by the concerned entity have been carried out legitimately and rational manner. The Sixty-First Annual Report of the Auditor General submitted to the President on 2024/05/26, has been registered in Federal Parliament Secretariat on 2024/07/24 and tabled in the House of Representatives through the Prime Minister on 2025/02/09. In this year, deliberation on the Sixtieth Annual Report is going on. Some reports of previous years are yet to be deliberated in the Committee. The concerned Chief Accounting Officer is supposed to implement the Committee's directives issued after deliberation on irregularities and the decisions made relating to maintenance of public accounts, but effective monitoring has not been done by maintaining records of the status of implementation of such decisions.
- 7.2. Though all province level Sixth Annual Reports of the Auditor General are submitted to all concerned Chief of Provinces on 26/05/2024, but the concerned Chief Ministers of the Provinces have tabled the Reports only on - 20/09/2024 in the Koshi Provincial Assembly, 02/09/2024 in Bagmati Provincial Assembly, 14/06/2024 in Lumbini Provincial Assembly, 31/07/2024 in Gandaki Provincial

Assembly and 16/06/2024 in Karnali Provincial Assembly. However, no information has been yet received about the annual reports have been tabled in the Madhesh and Sudurpachhim Provincial Assemblies.

Chapter - 5

Reforms to be Undertaken in Future

The main objective of the public sector audit is to promote the accountability, transparency and integrity in the public entities and officials. For this, the examination and analysis of the acquisition, usage, mobilization and achievement of public means and resources have been done from various dimensions. Based on the observations witnessed by the audits in this year, improvements are needed in the following subject matters in order to perform the public service delivery and development activities as per people's expectation:

Governance Management

1. Formulation and Implementation of Laws

- 1.1. The laws including the Civil Service Act, Education Act etc. should be formulated/ revised in order to make the works of the three tiers of government more systematic and clearer.
- 1.2. Since several provisions made in the prevalent laws are contradictory with each other, such laws need to be amended to make clearer.
- 1.3. The Procurement Act should be revised to make clarity on the subject, such as the information technology, chemical fertilizer, land purchase, construction and restoration of archeological heritages etc.
- 1.4. Existing provisions made in the Land Acquisition Act have brought complexities in the process of obtaining and acquisition of lands, and hence, necessary improvements need to be done in this regard.
- 1.5. For implementing the commitments made by Nepal at international level including the money laundering and the conventions and agreements in which Nepal is a signatory, the concerned entities should be specified with clear functions and responsibilities.
- 1.6. Clear provisions should be provided in the relevant laws concerning to the services and facilities of the Officials appointed in the posts specified by the Constitution.
- 1.7. In formulating any law under the delegated powers, it should be assured that whether the subjects incorporated in it are within the scope of the delegated powers or not. The sources of power for formulating the laws should be specified in the law.

- 1.8. Necessary arrangements should be made in the laws with regards to not appointing any person in the public posts and prohibiting persons to be a candidate in elected posts, which have unsettled audit irregularity of recoverable and outstanding advances, and the statement of overdue advances shall be made public by every public entity within the certain specified period after ending of every fiscal year. If any person holding a public post has any unsettled recoverable irregularity, the career development of the person should be withheld until such irregularities are settled.
- 1.9. If any irregularity is established by the audit in the name of any person holding a public post, information relating to such irregularity should be furnished to the concerned person in time. Necessary legal provision should also be made for taking the departmental actions to the employee that fails to provide such acknowledgement.

2. Implementation of Federalism

- 2.1. The matters listed under the exclusive and concurrent powers of the three tiers of governments should be implemented making clarity in laws.
- 2.2. The meetings of the Coordination Committees specified by laws for the implementation of the federalism should be held regularly, and machinery for implementing decisions of such Committees should also be established.
- 2.3. Appropriate partnership models should be provided for making the investments by three tiers of governments in a single project.
- 2.4. Pursuant to the revenue mobilization by three tiers of the government within their work scopes, the area and scope of every concerned level should be defined.
- 2.5. In order to maintain fiscal discipline in the local levels, the legal provision and machinery related to the settlement of irregularities should be determined.
- 2.6. Article 59 (7) of the Constitution of Nepal stipulates that the provision pertaining to the management of budget deficits and other fiscal discipline of the Federation, Province and Local Level shall be as provided in the federal law, however, several provinces and local levels, while formulating laws concerning to this, have not maintained consistency with the federal law, and hence, improvements are needed in this regard.
- 2.7. Since the grants (equalization) as provisioned by the Constitution and prevalent laws, are not disbursed as provisioned in budgets, the provinces and local levels have been providing the payment of some of the expenditures in next fiscal year due to lack of budgets. It needs to be ensured that such grants are not reduced.

3. Regulation Arrangement

- 3.1. In order to systematize the works carried out by the entity that addresses the interests of mass citizens, the capacity of all established regulatory agencies should be enhanced and the system of making evaluation of the work performance should be adopted.
- 3.2. In order to resolve the problems witnessed in the work performance and delays, low quality standard, underweight, artificial shortage, price rise in supply of goods and services, delays and obstruction in delivery of services, the monitoring should be conducted by establishing coordination between the inter-related entities.

Economy

4. Sustainable and Self-reliant Economy

- 4.1. In order to achieve the economic growth through the proper management of revenues, personal income, foreign currency reserve and foreign labour, and increment in internal employment and skillful labour, the work procedures of all inter-related entities should be made transparent and predictable.
- 4.2. In order to encourage in the internal production for overall development of national economy, all types of amounts to be paid or payable to the state should be made predictable and affordable.
- 4.3. In order to guarantee the supplies of essential seeds, chemical fertilizer, agricultural equipment each year, the supplies are to be acquired by determining well-planned cycle fixing up certain specified amounts.
- 4.4. By adopting the policy of discouraging the informal economic activities and minimizing cash transactions, E-payments should be encouraged in the monetary activities by reducing various expenses chargeable in such transactions to the minimum.
- 4.5. The policy stability in tax and customs duty should be maintained for the establishment and promotion of the industries based on domestic raw materials. Necessary arrangements should be made to promote saving by improving in the national consumption structure and invest in productive sector. These matters should be ensured by provisioning necessary budgets for all types of such declared promotional activities.

5. Industry and Trade

- 5.1. In order to systematize the industry and trade, the time to be given and fees chargeable in all types of services provided by the government entities should be determined.
- 5.2. Consistency between the policies and laws concerning to the industry, trade, fiscal and tax sector is necessary in order to ease the investment environment.
- 5.3. For promoting exports, the investment-oriented environment should be created as per prescribed manner in the Special Economic Zones.
- 5.4. Reviews need to be conducted in the existing system of granting export facilities to the semi-finished goods imported under the raw materials facility.
- 5.5. For the development and protection of the micro and domestic industries based on traditional knowledge, skills and local raw materials, the programs inclusive of the financial incentive should be implemented and its marketization should also be guaranteed.
- 5.6. For attracting the private and public sector as well as foreign direct investment, the modern and technology-friendly entrepreneurship should be encouraged by creating the conducive environment.

6. Fiscal Sector

- 6.1. By conducting an effective monitoring of the credit-deposit ratio, the effect of deposit and loan interest and additional premium should be evaluated.
- 6.2. It should be assured that whether the loans provided under the government's interest subsidy program have been invested in the specified areas.
- 6.3. In order to increase the agriculture production and productivity, it should be ensured that the collective farming and corporatization of arable land are done, and such lands are obtainable from the government sector.
- 6.4. The program of increasing foreign currency earnings from the tourism, information technology sector, export of agriculture-based goods etc. should be implemented. In addition, improvements need to be done in the storage, processing and distribution system for maintaining the price stability of agricultural products.
- 6.5. By strengthening the market monitoring system for controlling the price rise and artificial shortage, the system of making purchases and sales from the government machineries in accordance with the minimum price fixed by the government should be adopted.

7. Public Enterprises Management

- 7.1. Out of the operational Public Enterprises, the Public Enterprises' should be operated by segregating their activities into the PEs to be run by the government, Public Enterprises only requiring partial presence of the government, and Public Enterprises not requiring the government's presence.
- 7.2. The Executives of the Public Enterprises should be appointed as per specified basis after the scrutiny of professional plan. The ex-officio representation of the government as a member in the board of directors should be minimized. By evaluating the performances, the officials failing to operate PEs as per objectives should be held responsible.
- 7.3. The objectives of Public Enterprises must be clearly defined as either serving the public welfare or being commercial in nature. The Public Enterprises established for the public welfare purpose should be evaluated on the basis of the service delivery, and the Public Enterprises established for the business purpose should be evaluated on the basis of the profit earnings.
- 7.4. In appointing an Executive of the Public Enterprises, a self-declaration is to be made by the person stating that the qualification specified by the law has been met.
- 7.5. The arrear amounts outstanding to be recovered from the privatized Public Enterprises since a long time should be recovered in accordance with the laws.
- 7.6. In appointing or nominating any person as a member in the board of directors of any subsidiary company by the corporate body wholly or substantially owned by the Government of Nepal, the approval of the Government of Nepal should be taken.
- 7.7. The approval of Ministry of Finance should be taken while making any decision that creates long-term financial liabilities in the corporate bodies.
- 7.8. Several corporate bodies have been creating liabilities without making provision of required funds, and in order to control such practices, necessary laws need to be formulated in order to make accountable the officials that have created unfunded liabilities.
- 7.9. The investment accounts between the corporate bodies and the Government have been differing, but the reconciliation of accounts has not been done. To control such situation, the concerned Chief of bodies should be held responsible.

Public Fiscal Management

8. Budget and Program

- 8.1. Budget should be appropriated only in the projects that have completed the preparatory works. There should be control in the act of keeping payment dues in programs/projects by transferring the liabilities for next years without guarantee of the sources.
- 8.2. Improvements need to be done in the practice of appropriating initial budget amounts in the grant codes in which the limitation of virement is not applicable and making virement from the codes to other grant codes afterwards.
- 8.3. There should be control in the practice of incurring expenditures by establishing various types of funds beyond the national budgetary system.
- 8.4. There should be control in the practice of not including any annual budget and program in all programs/ projects, which are to be handed over to the Province and Local Levels but transferring the conditional grants to the Provinces and Local Levels by adding up new programs after approval of the budget.

9. Revenue Collection and Mobilization

- 9.1. All types of transactions conducted through the electronic system should be brought under tax net.
- 9.2. An assessment and review need to be done with regards to the effect and impact of the public welfare revenue remissions granted by the Government.
- 9.3. In order to make the customs declaration, classification and assessment of goods realistic and make such assessment based on transactional value, the electronic information concerning with the inland customs administration should be exchanged with each other and the basis and causes should be clearly specified while making any decision pertaining to the customs classification.
- 9.4. The tax administration should prepare an information network to obtain information from the entities that conduct registration and regulation of the industries, trade, professions, business and organizations.
- 9.5. In order to make the tax recovery effective, a review is needed in the existing practice of granting tax exemption in subsequent years to the taxpayers that have not paid the revenues on time.
- 9.6. The information and data demanded with taxpayers, queries put on various subjects, and replies received thereon in course of amended tax assessment, and tax assessment report should be incorporated in the Integrated Tax System.

- 9.7. It should be assured that a mechanical test has been performed while determining the duty rate of any tool, equipment, machine and vehicle, if not, the revenue rates should be determined on the assessed value.
- 9.8. Mechanism should be determined to conduct an inquiry and obtain acknowledgement with regards to the confusions arisen on the subject matters of the taxes and revenues receivable to the state.
- 9.9. While providing any consultation by an entity responsible for giving opinion and consultation, it should disclose the provisions or purposes by clarifying the subject matter of opinion and consultations. The employees or officials that perform works only in accordance with laws or gives advice by stating only the sections of laws should be held accountable.

10. Foreign Assistance

- 10.1. Foreign assistances should be mobilized only on the areas of national need and priority.
- 10.2. The audits of all foreign assistances inclusive of the technical and commodity should be assured by including such assistances in the national budget.
- 10.3. Since a gap exists between the commitment, receipt and utilization of the development assistances, the development assistances should be utilized receiving in accordance with the commitments.
- 10.4. In the projects run under foreign assistances, the foreign consultancy services should be received only in the condition that such services are used in complex nature of works and technology transfers.
- 10.5. The impact on the government sources should be minimized by receiving timely reimbursements from the development partners.
- 10.6. The foreign assistances mobilized through the national and international non-governmental organizations should be effectively monitored in order to make them transparent, accountable and result-oriented.
- 10.7. If any provision relating to auditing is to be provided differently than that specified in the prevalent laws in receiving any foreign assistance from a donor, an arrangement of taking the advice of the Office of the Auditor General has been made in the laws. The legal arrangement should be implemented.

11. Public Debt Management

- 11.1. Appropriate measures should be taken to mitigate the losses occurred from the mobilization of debts due to the foreign exchange rates.

- 11.2. Foreign Assistances should be received by analyzing the costs, the achievements receivable, risks and debt servicing capacity.
- 11.3. While mobilizing any foreign debt, it should be assured that it will not be spent in the non-capital forming and recurrent nature of works.
- 11.4. The Government is raising internal debts in spite of the existence of huge unused cash and bank balances in the Funds, Boards, Councils, Committees and Institutions run by the Government or investments are made by such institutions at minimum interest rates. Hence, in a circumstance of the government needs to raise any internal debt, the government can optimize benefits by using and mobilizing such unused balances.

12. Public Expenditure

- 12.1. Pursuant to the disbursement of grants transferred in between the Federation/ Provinces/Local Levels, the actual expenditure has not been represented as the outstanding balances remained at the level receiving the grants have been refunded only after the elapse of each fiscal year. Improvements need to be done in this regard.
- 12.2. Except for the elected posts, the qualifications and standards need to be determined for all posts to be appointed by providing the salary and facilities from the state coffer.
- 12.3. In perspective of difficulties have been faced to cover the recurrent expenditure from the government revenues, necessary revisits are be done with regards to the needs of posts created without proper job description and the entities established by overlapping the scope of works.
- 12.4. While constructing of infrastructures, duplication in the construction works should be ended by establishing necessary coordination between the associated entities.
- 12.5. Since various Funds have been established on the basis of the contribution of the service recipients, it should be ensured that interest of the service recipients is protected while spending any amount from such Funds.

13. Grant Management

- 13.1. By making clear in laws about the subject matters, areas, classes, and groups for providing grants, the grants should be provided for the direct benefit of the final users and increasing the production and productivity.

- 13.2. While providing any grants to the commercial types of organization for incurring expenditure in capital works, it should be assured that the beneficiaries receive the intended benefits. In cases such organizations are liquidated, it should be ensured that the remaining assets are returned based on investment ratios. Such construction works should not be undertaken in a land or property that is privately owned.
- 13.3. While providing any cash grant from the government treasury, the provision of returning amounts at least zero return rate should be provided.

14. Accounting and Reporting

- 14.1. All transactions of the non-budgetary entities operating under the three tiers of governments should also be included in the Consolidated Financial Statement.
- 14.2. The financial transactions and evidences, documents and decisions related to the accounts should be prepared electronically as per the concept of paper-less accounting system.
- 14.3. Up-to-date records should be maintained with regards to the liabilities and commitments created by the multi-year procurement contracts, foreign aids etc.
- 14.4. The financial reports and records of all projects run under the foreign aids should be maintained as per the approved accounting formats.

15. Internal Controls and Audit

- 15.1. The public entities should make their work procedures economical, transparent and systematic by preparing the internal controls system.
- 15.2. The Audits and Internal Control Committee should be made effective in order to systematize the financial procedures and fiscal responsibility.
- 15.3. The essential information of the Ministries, Departments, Constitutional Bodies should be integrated with the accounting and auditing system.
- 15.4. The system of settling the audit observations should be effectively implemented by holding timely deliberations on the audit reports.
- 15.5. Prior to conducting the final audits, the responsible person should complete the internal audits and settle the observations pointed out by the internal audits.

Public Assets Management

16. Procurement and Acquisition

- 16.1. Public assets should be procured as per the procurement plan. Such procured assets should be transparent, competitive, economical and qualitative.

- 16.2. The inventory goods, machinery equipment and tools should be procured on the basis of the identification of needs and propriety, and the usage of such goods should also be assured. Such purchases should be performed in such a circumstance where the repairs and maintenance of the machines, equipment and tools existed in stocks cannot be conducted.
- 16.3. After the completion, liquidation or dissolution of any project, the machines, equipment and assets existed in the projects should be handed over to other entities having necessity by maintaining records of such assets.
- 16.4. After change of users of the non-consumable nature of assets, new procurements have been done by offices instead of re-using such assets. Hence, assets should be provided to a single user for the specified use period by determining useful life of every asset.
- 16.5. The system of doing cash payment through the petty cash fund for daily operations of offices needs to be revisited and the system of making such payments through the electronic medium should be implemented.

17. Record, Safeguards and Usage

- 17.1. The record of the goods and assets received by a public entity through any means should be mandatorily maintained in the Public Asset Management System (PAMS).
- 17.2. In order to safeguards the records, maps, treaties, agreements of national importance and historical documents, and manage such records systematically, an appropriate procedure including the digitization should be adopted.
- 17.3. The records of inventory goods and assets existed in foreign diplomatic missions should be maintained in the PAMS.
- 17.4. The public and trust (guthi) lands should be properly protected and utilized by making free from the encroachments.
- 17.5. The ownership of compensation distributed lands needs to be brought under the government mandatorily, and the work of keeping records, protection and usage should also be arranged.
- 17.6. The vehicles that confiscated and remained in idle condition in the government offices should be utilized by doing timely repairs and maintenance or managed through making the auction sale or hand over.

Development Management

18. Sustainable Development Goals

- 18.1. The Provinces and Local Levels should formulate the annual budget and program by internalizing to the Sustainable Development Goals.
- 18.2. For achieving the Sustainable Development Goals, the government, private sector and non-governmental organizations should coordinate and collaborate, and the programs should be implemented maintaining belongingness.
- 18.3. In order to implement and measure the progress of the Sustainable Development Goals, the records should be maintained in an integrated data system by gathering the integrated and segment data.

19. Project Management

- 19.1. When prioritizing projects, appropriate projects should be included in the project banks after making analysis of the cost benefits, internal return rate, payback period etc., and the budgets should be appropriated on that basis.
- 19.2. Legal provision and appropriate monitoring mechanisms should be arranged to give certainty of budgets in the National Pride Projects and Game Changer Projects and complete such projects within the specified time by establishing coordination and collaboration between the stakeholder entities.
- 19.3. The reliance on the consultants in the preparation of Detailed Project Report should be minimized. It is because of the arrangement of contracts without completing the preparatory works of projects, delays have occurred in the attainment of yields due to time and cost overruns. Improvements are needed in such situations.
- 19.4. For reducing the costs of public construction works, the existing norms should be updated in coordination with various ministries paying due attention to new invention and technology.
- 19.5. The provisions of the Procurement Laws should be made further clear with regards to the land acquisition and compensation distribution, resource management in the construction projects, and determination of the construction and operations modalities of projects.
- 19.6. The concerned consultants should also be held accountable with regards to the mistakes witnessed in course of the implementation of the Detailed Project Report prepared by the consultants.

- 19.7. While appropriating budgets by the ministries, the uncompleted projects, the contract agreement of which reached in past years, should be given priority. When any time extension in the procurement contract is to be granted on lump sum basis, payable amounts/ methods should be made certain.
- 19.8. If any provision related to providing tax exemption is to be arranged in the procurement works, the matter should be disclosed at the time of bidding process. It needs to make certain that any amount related to the tax exemption shall not be paid to the construction entrepreneurs in making the procurement contracts.

20. Public Procurement Management

- 20.1. The provision relating to the price adjustment in procurement contracts made through the design and built process should be clearly specified in the Act.
- 20.2. The construction entrepreneurs and suppliers not carrying out works as per the procurement contract and work schedule and the concerned employees associated with the implementation should be held responsible.
- 20.3. The time extension of the procurement contract agreement should be made objective and fact-based.
- 20.4. There should be control in the practice of making the direct purchases by spitting the cost estimate of same nature works and carrying out additional works through the variation without preparing the cost estimates realistic manner in the circumstances where such works are predictable.
- 20.5. The construction works and goods procurement requiring using the complex technology and equipment have been undertaken through the user committees. This practice needs to be checked.
- 20.6. Legal provision should be made for conducting the direct purchase of goods by the public entities at the price declared by the importers at customs point plus the customs duty and taxes, transportation, other expenses, investment income etc. applicable thereon.
- 20.7. While undertaking works through the user committees, the contract agreements have been entered stating that the share of people's participation specified in the procurement contract shall be borne by the user committee, but the payments have been granted in several works without ensuring that the shares have been borne as per agreement. Hence, the concerned employees should be held accountable.

- 20.8. If any contract of annual repairs & maintenance is to be entered without making competition after the procurement of any services, necessary competition should be made by identifying such matters at the time of procurement. In addition, while procuring any proprietary goods, the cost estimate should be prepared by identifying the needed quantity, price and certainty of periods of the main and subsidiary materials to be used in such goods, and the procurement needs be done competitive manner based on the estimate.

Information Technology (IT)

21. Legal and Other Arrangement

- 21.1. Necessary law should be provisioned for the application in all types of IT sectors including the electronic transactions and security of information, artificial intelligence, use of machine learning, electronic platforms etc.
- 21.2. Necessary provision should be made for the secrecy of information, surveillance of cyber security, audit of IT and crisis management and continuous service operations.
- 21.3. Necessary management should be done to systematize the works of preparing the norms and cost estimates of the development of electronic system and procurement of electronic machinery equipment.
- 21.4. The IT system should be developed by identifying the necessity of the system and by conducting adequate studies and benefit cost analysis with regards to the IT design, development and repairs & maintenance.

22. Usage and Security

- 22.1. The practice of operating separate data centers by every public entity should be revisited, and necessary. arrangements should be made to develop an Integrated Data Center with continuous back-up system for getting services by all entities.
- 22.2. In order to enhance the quality standard, access and credibility of the government digital services, the service level agreement and secrecy agreement should be made mandatory.
- 22.3. In order to make the information technology effective and implement single door system in the control and security, a separate Knowledge Center should be established with the arrangement of facilitators.
- 22.4. There should be arrangements of using all information technology system to be operated by the government entities only after the completion of the registration and renewal process in the authorized entity and fulfillment of the standards of

various tests - inclusive of the Vulnerability Assessment and Penetration Test (VAPT).

- 22.5. There should be control in the practice of procuring separate IT System by every entity for carrying out same type of works.
- 22.6. In order to promote digital payment, the safe, easy and simple systems should be developed, and arrangements should also be made to make all types of payments through the electronic medium.
- 22.7. Information should be published and transmitted through the electronic medium by maintaining consistency in the websites and mobile applications being used by the public entities.
- 22.8. In view of the preparation and operation of the information technology infrastructure by all government entities, necessary human resources and infrastructures should be developed for carrying out the IT audits.

Public Administration

23. Human Resource Management

- 23.1. The capacity development programs should be conducted in effective manner on the basis of the demands. In order to develop multi-skilled manpower, necessary domestic and foreign trainings should be provided for the enhancement of the knowledge, skills etc.
- 23.2. The human resource management should be done by reviewing the approved position on the basis of the geographical condition, availability of resources, service delivery status of the Provinces and Local Levels.
- 23.3. When determining the essential human resources in the Public Enterprises, Commission, Boards and Academies, the approval and fulfillment of positions should be made on the basis of smart and technology-based structures.
- 23.4. In order to increase the work efficiency of civil servants by enhancing the knowledge and skills on concerned subjects, the provision of getting training of certain minimum period in regular basis should be made.
- 23.5. Specialized qualifications should be determined for the service entry of the human resources to be engaged in public administration, and capacity development programs should be conducted for such employees.
- 23.6. It is because of transfer of employees prior to the completion of the minimum service period against the provision of the Civil Service Act, the administrative expenditure has been growing, and weaknesses in assumption of the

responsibilities have been witnessed in some of cases. Hence, this practice needs to be checked. If any transfer is done prior to the completion of period without proper reasoning, an action should be taken to the person as per Sub-Section 12 of Section 18 of the Civil Service Act, 2049 (1992).

24. Public Service Delivery

- 24.1. The concept, the like - the faceless bureaucracy and electronic governance, single service center etc. should be implemented in order to make the service delivery prompt, smart and predictable integrating the IT in the conduct of civil service. For the works requiring some specialized knowledge, the persons having such knowledge should give the responsibilities of more than one office along with the flexibility of time and incentives.
- 24.2. For bringing effectiveness in the service delivery, the civil awareness enhancement program and the process of receiving feedback from the citizens should be adopted. The nature of service delivery should be determined by paying attention to the availability of time of service recipients and their capacity of procuring services. When providing services by the public entities, the service should be provided at free of cost only in initial processing of the evidential documents.
- 24.3. The smart and predictable service delivery system needs to be implemented by systematizing the quality standards, time duration, fees and procedures of the public service delivery. The practice of charging fines and additional fees in getting late services even after the receipt of revenues needs to be reviewed.
- 24.4. In order to ensure that the facilities to be availed to the very poor and low-income groups for getting their access in services have been provided to the same group, the details of the persons receiving such services should be made public.

Good Governance

25. Corruption Control and Good Governance

- 25.1. The public services should be made prompt, smart and predictable by using electronic mediums.
- 25.2. In public service delivery, the citizen surveillance system along with social accountability should be strengthened.
- 25.3. The public good behavior should be promoted by developing the work culture for the enhancement of the positional ethics and integrity.

- 25.4. There should be coordination and collaboration between the regulatory and implementing agencies that deals with the information associated with the suspicious and criminal activities and financial transactions.
- 25.5. The foreign and domestic travels should be performed only on the basis of justification. The officials making the decision should specify the usefulness of the various conventions/assemblies, observation tours in its decision.
- 25.6. The management works related to the foreign travel should be performed only after the reaching decision. The decision should be taken on time to maintain the economy in the foreign travel expenditure.

26. Fiscal Discipline

- 26.1. For controlling unproductive expenditure and maintaining economy and effectiveness in the public expenditure, high ranking officials should perform economical, dignified and exemplary manner. Likewise, an economy in miscellaneous expenditures, such as, meetings, assemblies, conferences, convention, ceremonies etc. should be maintained.
- 26.2. Expenditures are to be incurred with high returns and quality standards on the basis of the approved budget and programs. The fiscal accountability should be assumed by determining necessary indicators.
- 26.3. For maintaining the fiscal discipline, the code of ethics should be adhered by provisioning in accordance with the nature of works of entities.
- 26.4. The decision relating to the disputes concerning with the taxes and customs duties should be taken within the time specified in the laws. Since several observations pointed out by the audits have not been settled within the specified period, it has impacted on the collection of revenues and has also brought the situation of deterrence to the concerned investors. Hence, audit issues should be shorted out within the period specified by laws. The official not performing works accordingly should also be held accountable.

27. Promotion of Accountability and Integrity

- 27.1. To develop the moral infrastructures, the subject of moral education should be included from the school level.
- 27.2. The officials and employees involved in the delivery of services should be directly responsible and accountable with the service recipients.
- 27.3. The services and facilities of all officials and employees bearing the public posts should be made transparent.
- 27.4. The work of transmitting and publicizing information should be carried out by ensuring the transparency and accountability in the public service delivery.

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