THE AUDITOR GENERAL'S SIXTY-FIRST ANNUAL REPORT 2024

SUMMARY

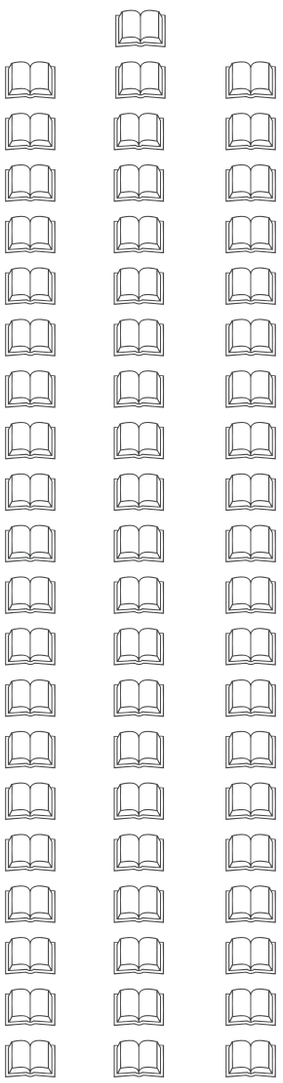


Office of the Auditor General
Anamnagar, Katmandu, Nepal

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SUMMARY

(Unofficial Translation)



Office of the Auditor General

Anamnagar, Katmandu, Nepal

दूरदृष्टि (VISION)



जवाफदेहिता, पारदर्शिता र निष्ठा प्रवर्द्धन गर्ने विश्वसनीय संस्था

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

गन्तव्य (MISSION)



राष्ट्रलाई स्वतन्त्र एवं गुणस्तरीय लेखापरीक्षण सेवा प्रदान गर्ने

(Provide independent and Quality Audit Service to the Nation)

मूल्य मान्यता (Core Values)



निष्ठा	*(Integrity)*
स्वतन्त्रता	*(Independence)*
व्यावसायिकता	*(Professionalism)*
पारदर्शिता	*(Transparency)*
जवाफदेहिता	*(Accountability)*

Foreword



The Constitution of Nepal and Audit Act 2075 (2019) mandate the Auditor General to carry out the statutory audit of all government offices of the Federation, Provinces & Local Levels and wholly government-owned corporate bodies with due consideration to the regularity, economy, efficiency, effectiveness and propriety thereof. In accordance with Auditor General's approved annual work schedule, the audit of the financial transactions of 5 thousand 605 entities of this year has been completed adopting the risk-based audit approach along with the use of Nepal Auditing Management System (NAMS). The 61st Annual Report and this Summary Report have been prepared by incorporating the audit observations, audit results, conclusions and recommendations. Based on the classification of risks, the audits of the high risk entities have been completed by being physical presence in the concerned audited entities and the audits of the low risk entities have been completed by using of Nepal Auditing Management System (NAMS) and adopting the remote audit techniques without being physical presence in the audited entities. The annual report has been prepared completing audits in compliance with the international good audit practices and using Nepal Government Auditing Standards - which is prepared in accordance with the auditing standards adopted by the International Organization of Supreme Audit Institution (INTOSAI). In carrying out audits, the audit works have been completed 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 opinions on the financial statements as per legal mandates.

Including the financial transactions of the Federal and Provincial Government Entities and Local Levels, Corporate Bodies, Boards and Other Institutions, total NRs. 7 trillion 881.60 billion has been audited in this year. With regards to the Government Entities including the Federal, Provincial and Local Level, total irregularity of NRs. 95.60 billion has been witnessed by the audits. Out of the total amount, the irregularity of 46.54 billion (1.89 percent) has been witnessed from the audit of NRs. 2 trillion 461.11 billion of 3 thousand 277 Federal Government Entities/Offices, the irregularity of NRs. 6.57 billion (2.03 percent) witnessed from the audit of NRs. 323.34 billion of 1 thousand 270 Provincial Entities/Offices, the irregularity of NRs. 2.33 billion (0.78 percent) witnessed from the audit of NRs. 296.85 billion of 217 Boards and Other Institutions, and the irregularity of NRs. 31.01 billion (2.72 percent) witnessed from the audit of NRs. 1 trillion 139.19 billion of 748 Local Levels (inclusive of 2 audit backlogs). Likewise, the irregularity of NRs. 9.15 billion (0.25 percent) has been witnessed from the audit of NRs. 3 trillion 661.11 billion of 93 Public Institutions. In addition, the audit of NRs. 1 trillion 488.56 billion has been completed with regards to

42 Corporate Bodies, for which the consultations for auditing have been provided. Inclusive of the consultation provided Corporate Bodies, total NRs. 9 trillion 370.16 billion has been audited in this year.

Compared to total outstanding irregularity NRs. 587.34 billion remained up to previous year, the cumulative outstanding irregularity to be settled as of this year has reached NRs. 669.86 billion after deducting the settled & adjusted amounts of NRs 13.08 billion this year and adding up this year's irregularity NRs. 95.60 billion. Total NRs. 22.17 billion has been recovered in course of auditing and follow-up audits. The cumulative amount of action to be taken has reached NRs. 513.40 billion in this year as compared to previous year's cumulative amount NRs. 372.45 billion. The figure and percent of irregularity has declined as the undue advances have not been included in the irregularity figures.

In course of the audits, recommendations have been provided by conducting examination, assessment and analysis primarily on the subject areas of - the governance management, public fiscal management, development administration, public administration, economy, public assets management, information and technology, good governance etc. While carrying out audits, the norms and values the like- independency, integrity, transparency, and professionalism have been followed. In addition to the financial audits, the performance, information technology, and environmental audits have also been carried out in this year.

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 Chief Justice, Rt. Hon'ble Speaker of House of Representative, Rt. Hon'ble Chairperson of National Assembly for providing valuable guidance in course of auditing. Likewise, I would also like to express my gratitude towards the Federal Legislature, Government of Nepal, Constitutional Bodies, Provincial Assemblies and Provincial Governments, Local Levels, Public Institutions, Development Partners, Audit Advisory Committee, media persons, civil societies, general public etc. for providing suggestions in auditing through various means. Lastly, I would like to extend special thanks to all entities/organizations which provided supports in commissioning the audits through the implementation of Nepal Audit Management System (NAMS) and to all office staffs which have contributed in the audit works.



(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 and offices thereof, Courts, Office of the Attorney General and Nepal Army, Nepal Police or Armed Police Force, Nepal 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 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) provides the matters relating to carrying 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 2075 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.

2. **Objectives -** The main objective of audit is to issue reports along with suggestions for improvement in public financial management so as to bring compliance with the fiscal accountability by responsible authorities by carrying out the audits and pointing out observations thereon of the financial transactions and service delivery 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. To attain the main objectives, the audit examination has been focused on the following subject matters, whether:

Financial Audit

- the financial statements and reports of the Consolidated Fund and other Government Funds of all three tiers of the governments have been prepared as per the prescribed formats and present the true state of affairs of the financial transactions,
- all income inclusive of revenues, revenues and deposit have been identified, recovered and deposited in conformity with laws, and the revenues so collected have been divided between all three tiers of governments in accordance with prevalent laws,
- the expenditure are incurred for the specified purposes remaining within the ceilings as fixed by the Appropriation Act,
- the accounts of government loans, investment, assets inclusive of the principal, interest, dividend receivable therefrom or payable and paid thereon have been maintained.

Compliance Audit

- the means and resources have been acquired and mobilized complying with prevalent laws, and the records of same have been maintained,
- the prevalent laws have been complied in making financial transactions and the evidences substantiating such transactions have been kept,
- adequate legal provisions have been made to check the misuse of expenditure, and the regulation and internal control with regards to this have been done, and such arrangements have been followed,
- the revenue, grant and royalty of all three tiers of governments have been divided in accordance with the prevalent laws,

Performance Audit

- the expenditures are incurred in economical manner, and the progresses have been achieved in accordance with the programs and goals set,
- an arrangement has been made to safeguard the cash, inventory and other government assets and their usages in order to protect them from loss & damage and misusages and the arrangements so made as such has been adhered,
- the organization & management and work divisions have been adequate and pertinent, and arrangements have been made to prevent from becoming duplication,

- the progresses have been achieved formulating and implementing programs as per pre-determined objectives and policies, and the quality and quantity of works have been maintained as per prescribed standards,
- the expenditure has been incurred as per laws by analyzing the cost and benefit, and the benefits have been achieved as per cost involved,

Special Audit (IT / Environmental)

- the Information Technology System has been appropriately 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 -** The audit scope includes the financial transactions & reports of fiscal year 2022/23 (2079/80) and audit backlogs and related documents thereon of the constitutional bodies, all offices of the Federal, Provincial Governments and Local Levels, Corporate Bodies, Committees, Boards, Trust/Funds, Authorities and Universities wholly owned by the three tiers of governments, and other entities prescribed as to be audited by Auditor General in Federal Law. Likewise, the audit scope also includes the examination and evaluation of the various aspects related to - the governance management, impact on economy, public fiscal management, public assets management, development administration, public administration and good governance along with attainment of sustainable development goals.

4. **Audit Methodology -** Audits have been conducted preparing annual audit plan and ministry-wise audit plans and entity-wise audit plans in line with the annual plan, with the use and management of electronic-based audit system named 'Nepal Audit Management System' (NAMS). Audits have been completed in compliance with the provisions made in the Audit Act, 2019, and following the Nepal Government Auditing Standards, audit manuals and guidelines of Financial, Performance, Disaster Management, Environmental Audit and other relevant audits and adopting good practices. For auditing, the entities to be audited have been classified into low and high risk entities on the basis of risks assessment, and the audits of high-risk entities have been conducted performing test of details. Audits of low-risk entities have been completed using the remote auditing technique based on the basis of the evaluation of internal control systems along with the information obtained from internal audit reports and Treasury Single Account.

Pursuant to examining matters identified on the basis of overall and entity-wise risk assessment, the matters to be examined by the audits have been

included in entity-level audit plans to collect pertinent, sufficient, relevant evidences, and the audits have been completed on the basis of sample selection. With respects to performance audits, civil societies have also been involved in some of audit subjects. The techniques including interviews, questionnaires, focus group discussions with stakeholders etc. have been followed to obtain necessary audit evidences. In course of auditing, primarily the problem-oriented and result-oriented techniques have been adopted. To enhance the audit quality, necessary supervision, field inspection have been done by the high level officials, and the reviews prior to issuance of preliminary reports and quality assurance reviews of the audited files have also been done based on sample selection in accordance with Audit Quality Assurance Handbook.

5. **Annual Report -** Article 294(1) of the Constitution requires the Auditor General to prepare and submit the Annual Report of its functioning to the President. Article 294(2) of the Constitution stipulates that the matters to be disclosed in the Annual Report shall be as specified in federal law and Section 19 (1) of the Audit Act, 2019 provides that the Auditor General needs to disclose in its report the matters relating to 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 this Sixty-First Annual Report has been submitted to Rt. Honorable the President in accordance with the provisions. The Report consists of 6 Chapter and 23 Annexes. In this report, Details of Audited Entities are provided in Chapter-1, Status of Irregularity Witnessed by Audit in Chapter-2, Overall Status of Audit Observations in Chapter-3, Implementation Status of Audit Reports in Chapter-4, Reforms to be made in Future in Chapter-5 and Office Activities in Chapter-6. As per Article 294 (3) of the Constitution, separate 7 reports have been prepared with regards to functioning of each Province. The final audit reports have been issued to 748 Local Levels inclusive of 746 out of 753 Local Levels and audit backlogs of 2 Local Levels. Likewise, key audit observations of performance and special audit, IT audit and environmental audit have also been included in this Report. In this Report, key summary of the findings observed in course of auditing of some of public enterprises/entities have also been included. This Summary of Annual Report has been prepared by incorporating major observations of the Annual Report.

Public Accountability from the Outlook of the Auditor General

Governance Management

- There should be clarity in formulation of laws,
- Contemporary laws are to be formulated and existing laws are to be revised,
- Concerned parties need to be involved in formulating laws mentioned in common power list,
- The implementation laws and its compliance should be guaranteed,
- There should be clarity in interrelation and demarcation between the politics and administration,
- Diplomatic relations need to be made effective,
- The roles of constitutional bodies need to be made effective through granting administrative and financial autonomy,
- There should be certainty in implementation of verdict and decision,
- The performance of public institutions and regulating agencies need to be made effective,

Economy

- Performance need to be improved for achieving the anticipated economic growth goals,
- Emphasis should be given in domestic production for maintaining trade balance,
- Investment-friendly environment need to be created,
- Investment need to be expanded by identifying new areas in economy,
- Remittances should be brought through formal channel and used for productive works,
- Informal economy needs to be incorporated in national account,
- Emphasis should be given in usage and sustainability of natural resources,
- Emphasis should be given in revenue growth by making tax administration smart and taxpayer-friendly,
- Financial resources should be mobilized transparent manner,
- Strong partnership should be developed between the governments, private sector, cooperative and development partners.

Public Fiscal Management

- Measurement of Gross Domestic Production and Revenue Projection need to be made realistic,
- Tax base of all three tiers need to be made sustainable and wide,
- All dimension of revenue mobilization need to be adopted and revenue leakages need to be controlled,
- Public debts should be mobilized only for national benefits and prioritized sectors,
- Gaps between budget and actual expenditure should be minimized,
- Payment of public expenses should be made balanced by making projection of cash flows,
- There should control in virement and source changes,
- All development assistances should be mobilized through budgetary system,
- Public expenditure should be made economical and productive,
- Professional efficiency should be shown in operations of public enterprises,
- Improvements need to be done in accounting, reporting and auditing, as per relevancy of time.

Public Assets Management

- The procurement of public assets should be made transparent, efficient and systematic,
- Efficiency need be brought in division and mobilization of means and resources,
- Effort should be taken to keep integrated records of public assets, and make proper uses and repair and maintenance,
- The management of usable assets should be done by making dispose off
- The leasing operational policies should be complied while giving public assets on lease,
- Quality standards should be guaranteed in public construction works,
- Conservation and maintenance should be done to historical, archaeological, religious heritage and assets,
- The record of assets of the public enterprises should be properly managed by making safeguards and utilization,
- Public assets should be utilized equitable manner,
- The operation and physical condition of constructed structures should be integrated in G.P.S.

Development Management

- The evaluation of periodic, annual and quarterly target and achievements needs to be done,
- Personal accountability should be linked with the budget, programs and achievements,
- There should be linkage between sustainable development goals, periodic plans, policy and programs and budget,
- Budget should be appropriated selecting projects only from project banks,
- Quality standards should be assured in the construction works implemented though user committee,
- Necessary management should be done to complete projects as per predetermined time and costs,
- Excessive reliance upon consultants in implementation of projects need to be minimized,
- Contract management should be done only after completing preparatory works,
- Infrastructures should be constructed by establishing coordination between public entities,
- Programs, procurement plans and its timelines should be strictly followed,
- Infrastructure construction should be made cost-effective by using modern technology and methods,

Information Technology

- The procurement and, usage and management of information technology should be done on the basis of needs and cost- benefit analysis,
- Standards and norms should be prepared for procuring systems,
- Legal arrangements need to be done relating to access, secrecy and security to systems,
- Management Information System should be operated by integrating and or interlinking,
- Systems should be made reliable by operating regularly, making repair & maintenance and update,
- Systems should be localized through capacity development for maintaining sustainability in operations of systems,
- Studies need to be conducted with regards to use of information technology and its impact on service delivery,
- Studies need to be conducted with regards to use and benefits of artificial intelligence (AI),
- The expenditure incurred on information technology and the records of concerned machinery equipment need to be properly maintained,
- The disposal of machinery equipment related to information technology need to be done environment- friendly manner,

Public Administration

- Contemporary laws need to be formulated and amended for making service delivery effective.
- Information based performance evaluation system should be implemented,
- Civil awareness and feedback system should adopt for making service delivery effective,
- Public administration needs to be made professionalized and result-oriented,
- Staff position need to be linked with the job responsibility,
- Proactivity should be increased by developing qualitative hunan resources,
- Smart structure, multi-skilled manpower and technology-friendly structures need to be developed,
- The arrangements of public audit need to be made in public construction/ service delivery
- The quality, fees, processes of service delivery should be made organized,
- The distribution of targeted group grant should be made beneficiery-friendly
- Emphasis should be given in development of ethical foundation.

Good Governance

- The work culture that enhances the official conduct, integrity and good conduct need to be adopted,
- There should be transparency, timelines, quality and sustainability in public construction,
- Corruption controls need to be made effective by establishing inter-entity coordination,
- Internal control system should be formulated and implemented in all entities,
- Indicator-based performance evaluation should be implemented and linked with reward and punishment,
- The status of leadership capacity and adherence to fiscal discipline should be evaluated giving any responsibility,
- There should be transparency, consistency and assurance of implementation in decision making processes,
- Professional entrepreneurship and positive thinking should be taken as a component of job responsibility,
- The official engaged in providing services should be made accountable and responsible with the service recipients, directly,

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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 12 backlogs)	3,277	2,461.11
2. Provincial Ministry and Entity (Including 2 backlogs)	1,270	323.34
3. Local Level (Including 2 backlogs)	748	1,139.19
4. Committee & Other Institution (Including 118 Provincial)	217	296.85
5. Corporate Body	93	3,661.11
(B) Performance Audit 9	-	-
(C) Environmental Audit 2	-	-
(D) IT Audit 1	-	-
Total	**5,605**	**7,881.60**

This year, the audits of total NRs. 7 trillion 881.60 billion- inclusive of NRs. 2 trillion 461.11 billion of 3 thousand 277 Federal Ministries/Entities, NRs. 323.34 billion of 1 thousand 270 Provincial Ministries/Entities, NRs. 1 trillion 139.19 billion of 748 Local levels (including 746 out of 753 Local Levels and last year's audit backlog of 2 Local Levels), NRs. 296.85 billion of 217 Committees and Other Institutions, and NRs. 3 trillion 661.11 billion of 93 Corporate Bodies, have been completed. In addition to the financial audit, the performance audit of 9 subjects, environmental audit of 2 subjects, and IT audit of 1 subject 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 277 Federal Government Ministries/Entities have been completed:

(NRs. Billions)

S.N.	Transaction	Audited Amount
1	Appropriation	1,300.29
2	Revenue	1,002.84
3	Deposit	71.36
4	Other Transaction	86.62
	Total	**2,461.11**

With regards to audit backlog amounting to NRs. 6.68 billion of 3 thousand 63 units of the Federal Government Offices existed up to last year, the audits of NRs. 930 million of 29 units have been completed in this year.

2. **Provincial Ministry and Entity -** The audits of NRs. 323.34 billion of 1 thousand 270 entities functioning under 7 Provinces have been completed in this year. With regards to audit backlog amounting NRs. 1.12 billion of 23 units of the Provincial Government Offices existed up to last year, the audits of NRs. 120 million of 2 entities have been completed in this year.

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3. **Local Level -** This year, the audits of NRs. 1 trillion 139.19 billion of 746 local levels, inclusive of 6 Metropolitans, 11 Sub-Metropolitans, 273 Municipalities and 456 Rural Municipalities (748 fiscal years including previous year's 2 audit backlogs) have been completed.

4. **Committee and Other Institution -** This year, the audits of NRs. 296.85 billion of 217 Committees/ other Institutions (including 118 provincial) have been completed.

5. **Corporate Body -** This year, the audits of NRs. 3 trillion 661.11 billion of 93 corporate bodies have been completed. In addition, the consultations for auditing have been provided to 42 corporate bodies and the audits of NRs. 1 trillion 488.56 billion have been completed with this regard.

6. **Performance and Special Audit -** This year, the performance audits of 9 subjects, environmental audit of 2 subjects, and IT audit of 1 subject have been completed. Details of the audited subjects are given below:

S.N.	Subject of Performance Audit	Concerned Entity	Concerned Ministry
1.	Implementation Status of Rastapati Women Empowerment Project	Ministry of Women, Children and Elderly Citizen	Ministry of Women, Children and Elderly Citizen
2.	Implementation Status of Sunsari-Morang Irrigation Project	Sunsari-Morang Irrigation Project	Ministry of Energy, Water Resources and Irrigation
3.	Performance Status of North-South Highway (Kaligandki Corridor)	North-South Highway Directorate	Ministry of Physical Infrastructure and Transportation
4.	Implementation Status of Health Insurance Program	Health Insurance Board	Ministry of Health and Population
5.	Service Delivery Status of Laborers going for Foreign Employment	Nepali Missions (Malaysia, Saudi Arabia and United Arab Emirates)	Ministry of Foreign Affairs
6.	Implementation of Tarai-Madhesh Prosperity Program	Tarai-Madhesh Prosperity Program, Central Coordination Unit	Ministry of Federal Affairs and General Administration
7.	Prison Infrastructure Management	Department of Prison Management	Ministry of Home Affairs
8.	Implementation Status of Special Building Construction Project	Special Building Construction Project, Coordination Office	Ministry of Urban Development
9.	Status of Nepal's Food Security	Ministry of Agriculture and Livestock Development	Ministry of Agriculture and Livestock Development
Environmental Audit			
10.	Implementation Status of Sendai Framework in Disaster Management	National Disaster Risk Reduction and Management Authority	Ministry of Home Affairs

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11.	Health Service Related Waste Management	Sahid Gangalal National Heart Center, National Academy of Medical Sciences (Bir Hospital), Paropakar Maternal Hospital, Patan Health Science Academy, Bhaktapur Cancer Hospital and Civil Hospital	Ministry of Health and Population
IT Audit			
12.	Implementation Status of Nepal National Single-Window System	Department of Customs	Ministry of Finance

• Implementation Status of Government Budget and Revenue

7. **Government Budget and Expenditure -** As per the statement obtained from the Financial Comptroller General Office, the actual expenditure of 2020/21 and 2021/22 and Heading-wise/ Sector-wise budget estimate and actual expenditure of 2022/23 of the Federal Government are as follows:

(NRs. in Millions)

Heading/Sector	Actual Expenditure of 2020/21	Actual Expenditure of 2021/22	2022/23		
			Budget Estimate	Actual Expenditure	Percent
Recurrent Expenditure	846,217.3	954,316.7	1183,235.1	991,506.8	83.08
Capital Expenditure	228,836.1	216,213.1	380,384.5	234,624.7	61.68
Financing Arrangements (Principal Interest Repayment)	121,622.6	139,471.0	230,217.7	195,195.5	84.79
Total	**1,196,676.0**	**1,310,000.8**	**1,793,837.3**	**1,421,327.0**	**79.23**
General Public Service	634,616.1	521,769.3	573,443.8	525,885.1	91.71
Defense	51,913.9	53,297.0	55,473.8	60,013.8	108.18
Public Law Order and Security	57,042.9	72,384.8	65,400.2	79,764.4	121.96
Economic Affairs	236,022.9	331,246.3	466,770.8	421,167.0	90.23
Environmental Protection	6,595.9	5,447.6	11,022.9	4,451.7	40.39
Housing and Community Amenities	44,995.2	35,057.2	88,608.8	42,294.7	47.73
Health	49,613.1	74,933.6	123,255.1	52,067.0	42.24
Culture and Religion	4,060.2	4,691.8	9,629.2	5,810.5	60.34
Education	7,145.8	42,616.6	196,893.1	52,869.5	26.85
Social Security	74,670.0	74,670.0	203,339.6	177,003.3	87.05
Total	**1,196,676.0**	**1,310,000.8**	**1,793,837.3**	**1,421,327.0**	**79.23**

Note: *The above table figures do not include the expenditures incurred by the provinces and local levels from the fiscal transfer included in budget estimate of the health and education sector.*

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8. **Status of Expenditure -** As per the statement obtained from the Financial Comptroller General Office, the ten 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	Ministry of Finance	162,117.9	16.35	1	Physical Infrastructure & Transportation	87,504.6	37.30
2	Home Affairs	90,829.4	9.16	2	Urban Development	33,665.2	14.35
3	Defense	65,500.8	6.61	3	Energy, Water Resources and Irrigation	29,865.2	12.73
4	Agriculture & Livestock Development	42,661.1	4.30	4	Defense	23,812.6	10.15
5	Education, Science & Technology	31,200.0	3.15	5	Water Supply	15,627.9	6.66
6	Health & Population	24,669.3	2.49	6	Home Affairs	7,955.9	3.39
7	Physical Infrastructure & Transportation	9,292.9	0.94	7	Education, Science & Technology	5,098.7	2.17
8	Election Commission	7,204.7	0.73	8	Forest and Environment	3,269.4	1.39
9	Foreign Affairs	5,641.8	0.57	9	Ministry of Finance	2,250.9	0.96
10	Supreme Court	5,389.2	0.54	10	Education, Science & Technology	1,975.7	0.84
11	Other Ministries and Entities	546,999.7	55.16	11	Other Ministries and Entities	23,598.6	10.06
	Total	**991,506.8**	**100.00**		**Total**	**234,624.7**	**100,00**

Besides the recurrent and capital expenditure, the expenditure incurred under financing has been NRs. 195.20 billion. The recurrent expenditure of Other Ministries/Entities also includes the grant amounts provided to the Provinces and 753 Local Levels.

9. **Source-wise Expenditure -** As per the statement obtained from the Financial Comptroller General Office, the source-wise actual expenditure of 2020/21 and 2021/22 and the estimate and actual expenditure of 2022/23 of the Federal Government are as follows:

(NRs. in Millions)

Source	Actual Expenditure of 2020/21	Actual Expenditure of 2021/22	2022/23		Increase Percent compared to Previous Year
			Budget Estimate	Actual Expenditure	
Government of Nepal	984,597.3	1,151,819.0	1,496,117.9	1,281,757.8	11.28
Foreign Grant	36,481.3	27,481.7	55,458.3	23,382.2	-14.92
Foreign Loan	175,597.4	130,700.1	242,261.1	116,187.0	-11.10
Total	**1,196,676.0**	**1,310,000.8**	**1,793,837.3**	**1,421,327.0**	**8.50**

9.1 Out of this year's expenditure NRs. 1 trillion 281.76 billion incurred from the Government of Nepal Source, NRs. 899.17 billion (70.15 percent) has been borne from revenues.

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9.2 Compared to this year's budget estimate of receiving foreign grants NRs. 55.46 billion in 16 entities, only NRs. 23.38 billion (42.16 percent) has been received, and compared to this year's estimate of receiving foreign loan NRs. 242.26 billion in 15 entities, only NRs. 116.19 billion (47.96 percent) has been received.

10. **Revenue Recovery -** As per the statement obtained from the Financial Comptroller General Office, the status of source-wise revenues actually recovered in 2020/21 and 2021/22 and revenue estimate and actually recovered in 2022/23 by the Federal Government are as follows:

(NRs. in Millions)

Description	Actual Recovery of 2020/21	Actual Recovery of 2021/22	2022/23		
			Estimated	Recovered	Percent
Total Revenue	**868,602.9**	**989,621.7**	**1,240,117.9**	**899,176.1**	**72.51**
1. Tax Revenue	761,056.6	856,264.0	1,132,346.7	748,420.0	66.09
2. Other Revenue, Irregularity Amount and Other Recovery	104,322.8	130,519.3	107,771.2	138,942.0	128.92
3. Principal Repayment	3,223.5	2,838.4	-	11,814.1	-

As compared to previous year, the revenue recovery has declined by 9.14 percent in this year. The revenue recovery of fiscal year 2022/23 also includes NRs. 53 billion 302.5 million the recovery related to previous irregularities and other receipts. The principal repayment of NRs. 11 billion 814.1 million has been received without provisioning in the budget estimate.

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Chapter-2

Status of Irregularity Witnessed By Audit

1. **Irregularity** — Section 2 (Ta) of 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, the 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.

In this year, the 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. 95 billion 602.1 million. The classification of irregularity figures are provided below:

(NRs. in Millions)

Classification	Federal Government Office	Provincial Government Office	Local Level	Federal Committee/ Other Institution	Provincial Committee/ Other Institution	Total	Percent of Total Irregularity
1. Recoverable	**15,514.5**	**873.7**	**4,158.4**	**2,764.3**	**89.9**	**23,400.8**	**24.47**
2. To be regularized	**28,924.5**	**4,271.1**	**24,034.0**	**7,079.7**	**726.4**	**65,035.7**	**68.03**
2.1 Irregular (non-compliance)	2,709.6	1,525.7	10,866.8	2,224.6	370.0	17,696.7	18.51
2.2 Evidences/documents not submitted (Unsubstantiated)	26,178.9	2,742.6	13,116.5	4,825.0	340.8	47,203.8	49.38
2.3 Balance not brought forward	0	0	0	0	0	0	0
2.4 Reimbursements not received	36.0	2.8	50.8	30.1	15.6	135.3	0.14
3. Advance	**2,097.2**	**1,424.1**	**2,822.8**	**797.8**	**23.7**	**7,165.6**	**7.50**
Total irregularity	**46,536.2**	**6,568.9**	**31,015.2**	**10,641.8**	**840.0**	**95,602.1**	**100**

Note: *1. The above advance figures do no include the advances not yet due.*
2. The above irregularity figures do not include the irregularities of corporate bodies as the records of such irregularities are being maintained and follow-up audits actions are being undertaken by the concerned entities themselves.

2. **Audit and Irregularity Figure -** This year, total audits of NRs. 7 trillion 881.6 billion of 5 thousand 605 government offices, corporate bodies and other institution have been completed. The status of audited entities and subjects are as follows:

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(NRs. in Billions)

Audited Entity/ Subject	Number	Audited Amount	Irregularity	Irregularity Percent
1. Federal Ministry and Entity (Including 12 backlogs)	3,277	2,461.11	46.54	1.89
2. Provincial Ministry and Entity (Including 2 backlogs)	1,270	323.34	6.57	2.03
3. Local Level (Including 2 backlogs)	748	1,139.19	31.01	2.72
4. Federal Corporate Bodies, Committee & Other Institution	192	3,920.47	10.64	0.27
5. Provincial Corporate Bodies, Committee & Other Institution	118	37.49	0.84	2.24
Total	**5,605**	**7,881.60**	**95.60**	**1.21**

Note: *The above table does not include the irregularity figures of corporate bodies as the irregularity records of such bodies have not been maintained.*

3. **Cumulative Irregularity -** The cumulative irregularity to be settled by the Federal Government Offices, Provincial Government Offices, Local Levels and Other Institutions till this year has reached to NRs. 669.86 billion. The cumulative irregularity amount has increased by 14.05 percent in this year 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	296,132.9	0	0	296,132.9	46,536.2	342,669.1
Provincial Government Office	24,378.0	-2.8	2,475.7	21,899.5	6,568.9	28,468.4
Local Level	172,605.3	0	10,162.2	162,443.1	31,015.2	193,458.3
Other Institution/ Committee (Including Provincial)	94,223.1	-1.1	435.7	93,786.3	11,481.8	105,268.1
Total	**587,339.3**	**-3.9**	**13,073.6**	**574,261.8**	**95,602.1**	**669,863.9**

4. **The cumulative amount of action to be taken** – In addition to the irregularities of the Federal and Provincial Government Offices, Local Levels and Other Committees & Institutions, the cumulative amount requiring settlements by taking timely action with regards to the audit backlogs, revenue arrears, and reimbursable foreign grants & loans has stood NRs. 513 billion 404.3 million.

(NRs. in Millions)

S.No.	Particulars	Up to last Year	This Year's Plus/ Minus	Cumulative Amount
1	Audit Backlogs (including Provincial)	7,803.0	2,072.5	9,875.5
2	Revenue Arrears	325,732.8	109,695.4	435,428.2
3	Foreign Grants to be reimbursed	15,060.6	1,033.9	16,094.5
4	Foreign Loans to be reimbursed	21,804.9	(-16,211.5)	5,593.4
5	Overdue Principal and Interest of Guaranteed loans	2,050.0	44,362.7	46,412.7
	Total	**372,451.3**	**140,953.0**	**513,404.3**

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If added the cumulative outstanding irregularity NRs. 669 billion 864 million in the above amount, the cumulative amount to be settled taking actions becomes NRs. 1 trillion 183 billion 268.3 million. The main cause responsible for the rise in total amount requiring settlement by taking action has been the revenue arrears and irregularities**.**

5. Analysis of Irregularity - The irregularity status of the Federal and Provincial Government Offices, Local Levels, Corporate Bodies, and Other Committees are as follows:

5.1. When conducted the audits of NRs. 7 trillion 880.87 billion in this year of the Federal and Provincial Government Offices, Local Levels, Corporate Bodies, and Committees and Other Institutions, total irregularity of NRs. 127.74 billion has been witnessed. Out of the amount, NRs 32.14 billion (25.16 percent of total irregularity) has been settled after issuance of preliminary reports and hence, NRs 95.60 billion has remained as outstanding irregularity to be settled. The cumulative outstanding irregularity to be settled as of this year has reached NRs 669.86 billion.

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 person and officers that have involved in financial transactions, and if any irregularity remains unsettled, the appropriate Chief Accountability Officer shall be held liable for the settlement of the 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 Accountability 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 Accountability Officer to maintain the fiscal accountability along with acting for settlement of the irregularities.

Pursuant to the Provinces, the information relating to irregularities has also been provided to the concerned Chief Accountability 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 Federal Government Offices, the Ministries having excessive irregularities on the basis of this year's irregularity amounts are as follows:

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(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	**17,225,728.0**	3,553.2	21,921.5	0.2	25,474.9	54.74	1.48
2	Physical Infrastructure & Transportation	**1,321,416.00**	6,909.9	3,533.3	1,650.6	12,093.8	25.99	9.15
3	Communication and Information Technology	**157,136.00**	3,057.4	66.9	0	3,124.3	6.71	19.88
4	Energy, Water Resources and Irrigation	**442,355.00**	284.7	713.6	18.4	1,016.7	2.19	2.3
5	Urban Development	**434,336.00**	240.4	540.8	139.8	921.0	1.98	2.12
6	Water Supply	**185,338.00**	120.8	545.6	98.2	764.6	1.64	4.13
7	Land Management, Cooperative & Poverty Alleviation	**341,421.00**	375.7	218.6	11.6	605.9	1.3	1.77
8	Home Affairs	**1,271,202.00**	6.6	503.2	30.6	540.4	1.16	0.43
9	Culture, Tourism and Civil Aviation	**74,206.00**	392.6	15.1	0	407.7	0.88	5.49
10	Foreign Affairs	**176,525.00**	75.2	284.7	26.8	386.7	0.83	2.19
11	Others	**2,981,453.00**	498.0	581.2	121.0	1,200.2	2.58	0.40
	Total	2,461,1116	**24,611,116**	**28,924.5**	**2,097.2**	**46,536.2**	**100**	**1.89**

Total irregularity figure of the Federal Government Offices functioning under the above ten ministries alone becomes 97.42 percent of total irregularity. Likewise, the total irregularity figure of the Provincial Government Offices as compared to audited figure has appeared 2.03 percent, out of which the highest of 3.67 percent has appeared in Madhesh Province, and the lowest of 0.79 percent has appeared in Sudurpachhim Province. The total irregularity figure of Local Levels compared to audited figure has stood 2.72 percent. The number of local Levels which has less than 5 percent irregularity from audits is 644, 5 to 15 percent irregularity is 103 and more than 15 percent irregularity is 1 Local Level.

5.4. Amongst the 3 thousand 277 Federal Government Offices audited in this year, 1 thousand 279 Federal Offices (39.03 percent) do not have figurative (Lagati) irregularities, and amongst the 1 thousand 270 Provincial Government Offices audited in this year, 379 Provincial Offices (29.84 percent) do not have figurative irregularities.

5.5. Altogether 192 thousand 583 irregularity sections have been witnessed in this year from the audits of the Federal and Provincial Government Offices and Local Levels (including audit backlogs), out of which 74 thousand 128 sections are conceptual (Shaidantik) irregularity and 105 thousand 5 sections are figurative (Lagati) irregularity.

5.6. Out of the total recoverable irregularities witnessed by audits in the Federal Government Offices, Provincial Government Offices, Local Levels and Other

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Committees & Institutions in this year, the Federal Government Offices functioning under 29 ministries/entities have recovered NRs. 341.2 million in course of the auditing, and the Government Offices functioning under 19 Ministries/entities have recovered NRs. 160.9 million after issuance of preliminary audit reports. Similarly, after issuance of preliminary audit reports, other entities have recovered NRs. 19 billion 835.4 million, the entities functioning under the Provincial Governments have recovered NRs. 189.4 million, and the Local Levels have recovered NRs. 1 billion 289.1 million. Likewise, NRs. 355.3 million has been recovered in course of follow-up audits of previous year's irregularities. Hence, altogether NRs. 22 billion 171.3 million has been recovered from auditing.

Out of the total outstanding recoverable irregularity NRs. 15 billion 514.5 million of the Federal Government Offices witnessed by the audit in this year, the recoverable amount of 10 ministries/entities is NRs. 15 billion 185.8 million (97.88 percent), and the remaining NRs. 328.7 million (2.12 percent) is of other ministries/entities.

5.7. Rule 52(4) of the Financial Procedures and Fiscal Accountability Rules, 2020 (2077) mentions that the amount of undue advances shall not be regarded as irregularity. The audit is not able to analyze the status of advances as the government entities has not updated record of advances by disclosing overdue and undue advance amounts since past years.

In this year, the audit has not witnessed Figurative(Lagati) irregularity in the Office of the President, Office of the Vice-President, Office of the Province Chief - Karnali and Sudurpachhim, Ministry of Law, Justice and Parliamentary Affairs and Youth and Sports, Constitutional Bodies - Commission for Investigation of Abuse of Authority, Office of the Auditor General, Public Service Commission, National Natural Resource & Fiscal Commission, National Women Commission, National Dalit Commission, National Inclusion Commission, Madheshi Commission, Tharu Commission, Muslim Commission.

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Chapter-3
Overall Status of Audit Observations

Federal Ministry and Entity

1. **Federal Consolidated Fund -** As per the financial statement of Federal Consolidated Fund of Fiscal year 2022/23, total NRs. 1 trillion 293 billion 971 million has been received from the overall revenues, grants and loans (inclusive of internal and external), out of which NRs. 1 trillion 421 billon 327 million has been expended as the recurrent and capital expenditure and financing arrangements and NRs. 127 billion 356 has remained as the negative balance. If adjusted last year's cumulative negative balance NRs. 53 billion 911.4 million in this year's negative balance, the cumulative balance will become negative by NRs. 181 billion 267.4 million.

2. **Overall Economic Situation -** The status of key economic indicators of the country are given below:

(In Percent)

Description	Target (Fifteenth Plan)		Achievement		
	2023/24	2022/23	2020/21	2021/22	2022/23
Economic Growth Rate (Average)	10.3	9.6	4.25	5.84	1.86
Consumer Inflation Rate	6.0	6.0	3.6	6.32	7.74
Total Revenue/Gross Domestic Product (GDP)	30.0	29.0	21.9	23	18.78
Total Government Expenditure/GDP	43.3	43.1	28..0	26.7	26.42
Recurrent Expenditure/GDP	17.9	19.1	19.8	19.8	18.7
Capital Expenditure / GDP	18.6	17.6	5.4	4.5	4.34
Foreign Grant / GDP	3.0	-	0.63	0.4	0.4
Foreign Loan / GDP	5.7	-	3.06	2.5	1.9
Domestic Loan/ GDP	4.3	-	5.24	4.8	4.76
Trade Deficit/ GDP	35.3	36.9	32.7	35.5	27.0
Export/ GDP	15.7	14.1	3.3	4.1	2.9
Import/ GDP	51.0	51.0	36.0	39.6	30.0
Budget Deficit/ GDP	10.0	10.1	7.05	5.4	9.6

Source: Nepal Rastra Bank and Ministry of Finance 2022/23

As per the statement obtained from the Ministry of Finance, against the target of achieving average economic growth rate 10.3 percent of the country in the Fifteenth Plan and 9.5 percent in 2022/23, only 1.86 percent growth is achieved in the year. Against the target of limiting the Consumer Inflation Rate 6 percent both in the Fifteenth Plan and this year, the rate has existed 7.74 percent in this year. However, Nepal Rastra Bank has stated the Wholesale Inflation Rate has remained 8.47 percent in the year. Against the target of maintaining the

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capital expenditure/GDP ratio 18.6 percent in the Fifteenth Plan and 17.6 percent in this year, the ratio has reached only 4.34 percent in this year. The target of foreign grant/GDP ratio has been set 3 percent in the Fifteenth Plan and not specified in this year, but the ratio has stood only 0.4 percent up to the fourth year period. Against the target of increasing the export/GDP ratio 15.7 percent in the Fifteenth Plan and 14.1 percent in this year, the ratio has existed only 2.9 percent in this year. The economic indicator targets should be achieved through the coordinated effort of the government, private and cooperative sector.

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

(NRs. in Millions)

Description	2020/21			2021/22			2022/23		
	Targeted	Recovered	Recovery Percent	Targeted	Recovered	Recovery Percent	Targeted	Recovered	Recovery Percent
Income Tax	238,038.7	230,077.3	96.66	289,499.6	260,085.4	89.80	349,057.2	253,812.4	72.71
Value Added Tax	302,168.7	282,019.1	93.33	316,361.0	314,279.1	99.30	398,467.9	286,631.7	71.93
Excise Duty	155,504.1	133,780.5	86.03	182,167.8	166,777.7	91.60	217,282.7	143,068.0	65.84
Customs Duty	193,554.7	201,389.6	104.05	278,924.0	241,781.1	86.70	330,568.0	182,116.3	55.09
Other Tax	121,492.2	131,487.6	107.34	113,647.9	133,494.4	117.46	107,771.2	145,022.8	134.57
Total	**1,011,758.4**	**978,754.1**	**96.74**	**1,180,600.3**	**1,116,417.7**	**94.60**	**1,403,147.0**	**1,010,651.2**	**72.03**

Source: Ministry of Finance, 2022/23

As per above statement, the revenue of NRs. 1 trillion 10 billion 651.2 million (9.47 percent low as compared to the last year) has been recovered in 2022/23. As compared to this year's revenue collection target NRs. 1 trillion 403 billion 147 million, 72.03 percent revenues have been recovered. The performances need to be improved to recover the revenues as per the target set.

4. Revenue Structure - As per the Annual Statement of Revenues, 2022/23 obtained from Financial Comptroller Office, the recovery amount of tax revenue (except divisible revenue) has been shown NRs. 474 billion 933.9 million, other revenue NRs. 85 billion 639.5 million, miscellaneous revenue including irregularity and grant refund NRs. 53 billion 302.5 million, divisible VAT NRs. 286 billion 598.3 million, divisible excise duty NRs. 104 billion 96.2 million, divisible royalty NRs. 6 billion 80.8 million, and external grant NRs. 23 billion 8.9 million.

In the Statements obtained from the Ministry of Finance, the recovery amount of divisible VAT has been shown NRs. 284 billion 104.7 million and excise duty NRs. 107 billion 425.2 million - exhibiting a difference of NRs. 2 billion 493.6 million in VAT and NRs. 3 billion 329 million in excise duty. Audit observations have been included since some previous years with regards to

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difference in data obtained from the Ministry and offices thereunder, but the situation has remained status quo even in this year. Necessary reconciliation needs to be done by ascertaining actual amounts.

5. **Revenue Remission -** Section 18 of the Finance Act, 2079 (2022) provisions that the Government of Nepal may reduce or increase or may give revenue remission (rebate) partially or fully in the duty, fee or tax rates levied in accordance with the prevalent laws. Likewise, Section 14 and Section 15 of the Schedule 1 of the Finance Act, 2079 mention that a remission in customs duty may be given fully or partially, and the same Act mentions that a remission of VAT may be granted in the applicable goods and services as per Schedule 1 of the Value Added Tax Act, 2052. By making decisions of Council of Ministers, the Government of Nepal has provided remission or subsidized rates with the amendments in various sections of the Finance Act, 2079. As per ASYCUDA data of the Customs Department, it is observed that a remission of NRs. 99 billion 423.3 million has been given with regards to customs duty. It is observed that the remissions have also been provided with regards to the inland revenues as per the Finance Act, but the records of such remissions have not been maintained by the Ministry and Inland Revenue Department. While analyzing the revenue remissions data of last 5 years granted as per the Finance Act, 2079, it is observed that total remission of NRs. 341 billion 744.3 million has been provided with regards to customs and inland revenues. The audit has witnessed observations, the like - the records of basis taken and analysis have not been maintained while decreasing/ decreasing the revenue rebate rates, details of revenue remission have not been submitted in the Parliament along with Budget Speech, an analysis has not been made with regards to the aspects of growth in production, employment and investments and privilege to mass citizens caused by such revenue remissions etc. Since the scope of revenue remission has been growing every year, the impacts of such remissions need to be analyzed and transparency needs to be promoted by submitting an integrated statistics of such revenue remissions in the Parliament.

6. **Revenue and Principal Interest Arrears** - Ministry of Finance and subordinate entities have outstanding balance of NRs. 415 billion 30.2 million as revenues and overdue principal and interest arrears to be recovered. Out of the amount, revenue arrears amount is NRs. 258 billion 854.8 million and principal and interest arrears amount is NRs. 156 billion 175.4 million to be recovered from the Public Enterprises, Committees, Boards, Funds and Local Levels in respect to the loan investments. Out of the outstanding revenue arrears, the taxpayers have gone in judicial reviews with regards to NRs. 145 billion 778.9 million (56.32 percent), which shows huge share of arrears is still lying under

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considerations of the judicial organs. The Government should recover the recoverable revenues and arrear amounts by following the legal procedures.

7. **Royalty Sharing** - Section 7 of the Inter-governmental Fiscal Arrangement Act, 2074 (2019) provides that amongst the amounts collected as royalty, 50 percent shall be divided to the Federal Divisible Fund, 25 percent to the Provincial Divisible Fund and 25 percent to the Local Divisible Fund. In this year, the Federal Consolidated Fund has outstanding balance of NRs. 6 billion 80.8 million to be divided. The royalty amount should be divided taking decision on time.

8. **Royalty Arrears** - Section 11 of the Electricity Act, 2049 (1992) provides that each hydro-electricity project shall have to pay annual royalty to the Government of Nepal. As per the records of the Electricity Development Department, the Department has total outstanding royalty arrears of NRs. 286 million 995 thousand to be recovered from various hydro-electricity projects up to 2022/23. The Department has not been imposing any interest/ fines even if the payable royalties have not been received from the projects on time. The outstanding royalty amounts should be recovered by making legal provision in respect to imposing interest and fines on royalty arrear amounts.

9. **Casino Royalty/Renewal** - Rule 36 of the Casino Regulation, 2070 (2013) provides that Ministry of Culture, Tourism and Civil Aviation shall formulate and implement a directive for the proper management of the casino business, however, such directive has not been formulated yet. Total outstanding revenues to be collected from the 6 casino operators as renewal fees/royalties and additional fees in accordance with Rule 10, 12 and 13 of the Casino Regulation, 2070 has figured NRs. 316 million 549 thousand as of this year. The arrear amounts should be recovered along with applicable additional fees.

10. **Fee Determination** - As per the Electricity Regulatory Commission Act, 2074 (2017), the person or institution having obtained licenses of hydro-electricity distribution shall have to deposit 0.3 percent of the income received from the sales in the Fund of the Electricity Regulation Commission for the 2021/22 and 2022/23. However, Nepal Electricity Authority that obtained license of electricity selling, have not deposited total NRs. 562 million 501 thousand fees - inclusive of NRs. 261 million 464 thousand of 2021/22 and NRs. 301 million 37 thousand of 2022/23, in the Fund of the Electricity Regulation Commission. Hence, the fee amounts should be recovered and deposited in the Fund.

11. **Telecommunication Revenue** - In this year, total royalty/fees amounting to NRs. 2 billion 738 million 42 thousand has not been recovered, which includes NRs. 77 million 18 thousand of royalty plus fine in the incomes and NRs. 321

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million 654 thousand royalty of maintenance and support other charges income collected from the customers to be deposited 14 telecommunication service providers as per their income statements 2021/22, NRs. 993 million 119 thousand frequency fees - fourth installments to be paid by 3 service providers as per the Council of Ministers' decisions of granting installment facility, NRs. 1 billion 296 million 749 thousand frequency and VSAT fees to be deposited by 6 service providers, NRs. 10 million 994 thousand transmission fee plus fines of transmission income to be deposited by 2 transmitting institutions as per their annual income 2021/22, NRs. 38 million 508 thousand rural telecommunication fee plus fine to be deposited by 13 telecommunication service providers as per their annual income 2021/22. The amounts should be recovered.

12. **Uncollected Fee** - Bylaw 5 of Nepal Telecommunication Authority (Rural Telecommunication Development Fund) Bylaw, 2068 (2011) provides an amount at the rate of 2 percent of annual income shall have to be deposited in Rural Telecommunication Fund. Rule 26 of the Telecommunication Rule, 2054 (1997) mentions that the gross income denotes the incomes received by the person obtaining license in respect to the delivery of telecommunication services excluding the amount receivable as deposit, service fee, VAT along with indirect taxes collected by license obtaining person from its customers and amount receivable from the sale of telecommunication equipment. In this year, 12 service provider institutions have deposited the fee merely in the income amount excluding the maintenance and support charges. In above income, total NRs. 156 million 351 thousand - including fee NRs. 133 million 782 thousand (at the rate of 2 percent of uncalculated amount NRs. 6 billion 689 million 113 thousand) and applicable fine NRs. 22 million 569 thousand have not been collected, and hence the amount should be recovered and deposited in the Rural Telecommunication Fund.

13. **Unified License Fee** - The Telecommunication Service Radio Frequency (Allocation and Pricing) Policy, 2073 (2016) has made arrangements relating to the renewal fee of basic telephone services. It is stated that a service provider after obtaining a license from Nepal Telecommunication Authority, is required to pay specified amounts for the ten years period since the year of obtaining license. As per the provision, 2 service providers obtaining licenses are required to deposit the license fee's installment amounting to NRs. 8.4 billion up to 2022/23, but they have not deposited the fee amount. The amount should be recovered.

14. **Public Debt** - As per the statement obtained from the Public Debt Management Office, the total debt to be redeemed by the Government of Nepal at the end of 2022/23 has reached NRs. 2 trillion 299 billion 352.4 million. Of the total

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outstanding debt, the share of external debt is NRs. 1 trillion 170 billion 248.7 million and internal debt is NRs. 1 trillion 129 billion 103.7 million. In this year, total loan interest NRs. 72 billion 780.2 million - inclusive of internal loan interest NRs. 64 billion 517.3 million and external loan interest NRs. 8 billion 262.9 million has been paid. Out of the debts, the liability of external debt is 50.89 percent and internal debt is 49.11 percent. The ratio of the public debt on Gross Domestic Products has reached 42.73 percent. The ratios had stood 40.73 percent in 2020/21 and 41.50 percent in 2021/22. Loans should be mobilized formulating an appropriate policy with regards to the internal and external debt burden.

15. Technical and Other Assistance - Section 29(1) of the Financial Procedures and Fiscal Accountability Act, 2076 (2019) provides that the description related to the foreign assistances shall have to be included in the Consolidated Financial Statements. In the Statement of Technical and Other Assistances of 2022/23 submitted along with Budget Speech in the Parliament, it is mentioned that total technical assistance equivalent to NRs. 41 billion 591.4 million will be received in the year, which includes NRs. 22 billion 440.5 million receivable in 14 Federal Ministries/Entities for 145 projects/programs and NRs. 19 billion 150.9 million receivable to 170 projects/programs through the international non-governmental Organizations. However, the amounts have not been included in the Consolidated Financial Statement. All type of foreign assistances should be included in the Statement.

16. Foreign Assistance - The development assistance statistics show that the foreign assistance has occupied NRs. 139 billion 569.2 million (9.82 percent) out of the Government of Nepal's total expenditure NRs. 1 trillion 421 billion 327 million of the FY 2022/23. As per the Annual Financial Statement of Federal Consolidated Fund obtained from the Financial Comptroller General Office, the Government has received total foreign assistance NRs. 146 billion 56.5 million including grant NRs. 23 billion 8.9 million (excluding technical assistance) and foreign loan NRs. 123 billion 47.6 million in 2022/23 as against the budget estimate of receiving total assistance NRs. 297 billion 719.4 million inclusive of foreign grant NRs. 55 billion 458.3 million and foreign loan NRs. 242 billion 261.1 million. In comparison to the estimated amounts specified in this year's budget speech, the government has received foreign assistance of only 49.06 percent on an average, out of which the foreign grant is 41.49 percent and foreign loan is 50.79 percent. Out of the amounts deposited in the Consolidated Fund in this year, the grant amounting to NRs. 23 billion 8.9 million and loan amounting to NRs. 116 billion 187.1 million have been expended.

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17. **Returns on Investment -** As per the statements obtained from the Public Debt Management Office, the Government of Nepal has made total share investments NRs. 386 billion 72.8 million in 118 PEs/ international institutions till this year and has received NRs. 27 billion 380.7 million as cash dividends from 11 institutions in this year. If to exclude the dividend received amount from Nepal Rastra Bank, the amount will become 16 billion 254.5 million, which is 3.84 times more than the amounts received in last year. Since the Nepal Telecommunication Authority has refunded all its investments, the dividend amount has substantially increased in this year. Besides these, the Government has not received any returns in this year out of the share investments NRs. 249 billion 537.7 million made in 103 PEs. It has become essential to bring efficiency in the operations and management of such institutions.

18. **Loan Investment** - The Loan Investment Statement obtained from the Public Debt Management Office shows that the Government of Nepal had made total loan investments of NRs. 373 billion 922 million up to last year, which included NRs. 150 billion 608.8 million invested in 73 institutions from the Government of Nepal source and NRs. 223 billion 313.2 million invested in 42 institutions from foreign source. The loan investment amount has reached NRs. 397 billion 804.8 million at the end of this year after adding up this year's investment NRs. 32 billion 192.8 million, deducting principal refund NRs. 11 billion 200.6 million and adding up other plus adjustments NRs. 2 billion 890.6 million. In this year, the Public Debt Management Office has added total net loan investment of NRs. 2 billion 890.6 million by adding NRs. 3 billion 20.2 million in the accounts of 1 institution from internal source and deducting NRs. 129.6 million in 3 institutions from foreign source, but it has not maintained records keeping detailed description. The Office should keep up-to-date record by verifying the actual amounts of the Government of Nepal's loan investments.

19. **Interest Arrears**- As per the Annual Report of Share and Loan Investments, out of the total interest receivable NRs. 108 billion 803.5 million to the Government of Nepal till 2021/22, NRs. 8 billion 703.3 million has been recovered in this year and NRs. 100 billion 100.2 million is still outstanding to be recovered up to this year. Out of the amount, the overdue interest is NRs. 93 billion 474.5 million. Hence, the arrear amounts should be recovered preparing integrated records of receivable interests as per condition of investments.

20. **Outstanding Reimbursement** - In the Ministry-wise Outstanding Foreign Grants and Loans Reimbursement Statement prepared by the Financial Comptroller General Office, it has shown the total outstanding reimbursement amount as NRs. 21 billion 687.8 million up to this year, including the outstanding reimbursable loan NRs. 5 billion 593.4 million and grant NRs. 16 billion 94.5

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million. However, in the Annual Statement of Foreign Assistance Reimbursable Loan and Grants prepared by the Budget and Reimbursement Section of the same Office, it has shown the total outstanding reimbursement of NRs. 18 billion 798.7 million including reimbursable grant NRs. 7 billion 487.8 million and loan NRs. 11 billion 310.9 million, and hence a difference of NRs. 2 billion 889.2 has been witnessed in the statements. The causes of difference are to be ascertained.

In the financial statement submitted by the Financial Comptroller General Office, it has shown the outstanding reimbursable loan of NRs. 11 billion 310.9 million. However, the reimbursable amount becomes NRs. 38 billion 344.1 million if adjusted the negative balance of reimbursement receivable amounts, and hence, the difference amount NRs. 27 billion 33.2 million should be reconciled and adjusted.

21. Fiscal Transfer - Section 3(1)(d) of the Natural Resources and Fiscal Commission Act, 2074 (2019) provides that the Government of Nepal shall give recommendations with regards to grants to be provided by the Government of Nepal to the Provinces and Local Levels. The status of grant amounts provisioned in the federal budget 2022/23 and the amounts actual transfer are as follows:

(NRs. in Billions)

Grant Heading	2022/23 (Budgeted)			2022/23 (Actual)		
	Province	Local	Total	Province	Local	Total
Fiscal Equalization	61.4	123.1	184.5	53.75	92.70	146.5
Conditional	57.2	183.7	240.9	37.76	192.88	230.6
Complementary	6.3	7.3	13.6	4.84	5.29	10.1
Special	4.6	9.1	13.7	3.31	6.83	10.1
Total Grant	**129.5**	**323.2**	**452.7**	**99.66**	**297.7**	**397.3**
Share Percent in Total Budget	7.2	18.3	25.4	7.01	20.95	27.96
Revenue Allocation	**81.5**	**81.5**	**129.8**	**64.03**	**64.03**	**128.06**
Total Transfer	**211.0**	**404.7**	**582.5**	**163.69**	**361.73**	**525.46**
Transfer Percent in Total Budget	11.8	22.7	32.67	11.52	25.46	36.98
Percent in Gross Domestic Production (GDP)				3.04	6.72	9.76

Source: Budget Book 2022/23 and Consolidated Financial Statement 2022/23

As per above table, the provinces and local levels are estimated to get fiscal transfer on an average of 25.4 percent of the federal budget 2022/23 in form of grants and 32.67 percent of the federal budget as the revenue division and grants. However, in accordance with the Consolidated Financial Statement, the actual transferred figures have remained 27.96 percent and 36.98 percent respectively, which is 9.76 percent in comparison to Gross Domestic Product. If any grant amount provided by the Government of Nepal is not spent, such unspent amounts

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are required to be refunded to the Federal Consolidated Fund. However, the statement obtained from the Financial Comptroller General Office shows that total conditional, complimentary and special grants amounting to NRs. 93.3 million have been retained in the concerned provincial /local government's funds as of 2022/23 without refunding to the Federal Consolidated Fund, whereas 102 Municipalities have refunded NRs. 272.5 million in excess.

22. Volume of Budget and Expenditure - Section 7 of the Financial Procedures and Fiscal Accountability Act, 2076 (2019) provides that the expenditure ceiling need to be determined, Section 9 of the same Act specifies the procedures to be adopted while proposing budget, and Rule 16 of the Financial Procedures and Fiscal Accountability Rule, 2077 (2019) provides the budget shall have to be prepared remaining within the ceiling fixed by Resource Estimation Committee considering the Medium Term Expenditure Frameworks, periodic plan, works to performed and goals to be achieved by the Government of Nepal and available economic resources. Budget Speeches have been prepared every year incorporating important policies and programs, however, the volume of such budgets approved by the parliament have been reduced in course of implementation through the mid-term reviews stating that such works cannot be undertaken. .

(NRs. in Billions)

Heading	Proposed Amount of Medium Term Expenditure Framework 2020/21	Proposed Amount of Medium Term Expenditure Framework 2021/22	Budget of 2022/23	As per Mid-Term Review of Budget (2079 Magh)	In Budget 2023/24 amount stated in after review of 2022/23	Expenditure
Total Budget	1,954.99	1,793.10	1,793.83	1,550.00	1,505.00	1,421.33
Recurrent Expenditure	1,062.02	1,141.19	1,183.23	1,021.93	1,043.39	991.51
Capital Expenditure	672.28	419.68	380.38	313.85	258.35	234.62
Financing Arrangement	220.69	232.23	230.22	214.22	203.26	195.20
Sources						
Revenues excluding Divisible	1,256.96	1,183.40	1,240.11	1,085.00	1,040.00	899.17
Grant	68.25	55.20	55.46	38.46	38.46	23.01
External Loan	335.00	290.00	242.26	170.54	170.54	123.05
Internal Loan	294.78	264.50	256.00	256.00	256.00	248.74

Note: The revenue collection of this fiscal year also includes the principle and interest repayment.

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Out of this year's total expenditure NRs. 1 trillion 421.33 billion, NRs. 922.18 billion has been borne from revenues and grants, and amongst the remaining NRs. 499.15 billion, NRs. 371.79 billion has been borne from internal and external loans and NRs. 127.36 billion has appeared as the deficit, the source of which has been shown as internal revenue. Incur of expenditures without actual receipt of resources has caused a growth in negative status of the Consolidated Fund every year, and hence a budget should be formulated realistic manner based on actual sources.

Though the Government has adopted a policy of controlling recurrent expenditure and increasing capital expenditure by enhancing the efficiency in public expenditure management, however, the share of capital expenditure has remained 16.50 percent in 2021/22 and 16.51 percent in 2022/23. The capital expenditure has been impacted by various causes, such as - the growth in expenditure having compulsory liability, accounting of fiscal transfer of local levels from recurrent expenditure budget heading and growth in interest payment of loans etc. The capital expenditure need to be raised paying attention in development works and service delivery.

23. **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 2022/23, the total expenditure of NRs. 1 trillion 421 billion 327 million (79.23 percent) has been incurred as compared to the initial budget appropriation NRs. 1 trillion 793 billion 837.3 million. Of the total budget appropriation, the Government of Nepal could spend only 81.15 percent in 2020/21 and 79.51 percent in 2021/22. The ratio of expending budget in line with the budget appropriation has been witnessed decreasing. The reasons of not becoming expenditure in line with the budget appropriation are - adequate homework not done in budget formulation, including budget and programs by selecting projects without making technical studies, and not making arrangement of procurement contracts in the beginning of fiscal year. Appropriated budgets should be expended preparing work plans.

24. **Achievement of the Fourth Year of Fifteenth Plan -** Compared to the base year of implementation of the Fifteenth Plan, some positive improvements have been witnessed in a few indicators in the fourth year, but the anticipated targets of many indicators have not been achieved. The status of anticipated indicators and the progresses achieved are as follows:

S.No.	Indicators	Base Year (2018/19)	Target of 2022/23	Achievement of 2022/23
1.	Annual Average Economic Growth Rate (As per Consumer Price Index, Percent)	6.8	9.6	1.86

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2.	Annual Average Growth Rate of Agriculture Sector (Percent)	4.8	5.8	2.7
3.	Annual Average Growth Rate of Industry Sector (Percent)	12.2	13.2	0.56
4.	Annual Average Growth Rate of Service Sector (Percent)	7.9	10.0	2.33
5.	Annual Average Price Rise (Percent)	4.6	6.0	7.74
6.	Per-capita National Income (In US Dollar)	1047	1456	1410
7.	Population below Poverty Line (Percent)	18.7	11.2	20.27
8.	Human Development Index	0.579	0.618	0.601
9.	Life Expectancy (At the time of birth, Year)	69.7	72.0	70.5
10.	Population with Access to Basic Drinking Water Service (Percent)	89	98.0	97.0
11.	Literacy Rate of 15-24 Age Group (Percent)	92	98.0	89.0
12.	Electricity Generation (Installed Capacity, Megawatt)	1250	4133	3084.1
13.	Families with Access to Electricity (Percent)	88	100	95
14.	Population with Access to Internet Service (Percent)	65.9	77	85

As shown in above statement, the achievements of annual economic growth rate, agricultural, industrial and service sector annual growth rates of 2022/23 have remained 1.86 percent, 2.7 percent, 0.56 percent and 2.33 percent respectively as against their anticipated targets of achieving respective 9.6 percent, 5.8 percent, 13.2 percent and 10 percent. The electricity generation installed capacity has reached to 3 thousand 84 megawatts as against the target of increasing the installed capacity to 4 thousand 133 megawatts, and the families with access to electricity has reached to 95 percent as against the target of increasing the access to electricity to 100 percent. With regards to the target of reducing the population below poverty line to 11.2 percent, the percentage has remained 20.27 percent. Since the programs related to anticipated targets set in the Fifteenth Plan are implemented from subject-wise ministries, the subject-wise ministries should be held accountable for achieving the Plan's targets, and the monitoring being conducted by the National Planning Commission should be made more effective.

25. 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 in 2011/12 to the 17 projects appearing significant so as to implement them according high priority. The number of such projects has reached 24 as of

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this year. The status of incurred expenditures and achieved progresses of the national pride projects as of 2022/23 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	5.92	64.76	72.7
2	Railway, Metro Rail and Mono Rail Development Project	2009/10	Not specified	1280.00	2.60	30.44	not disclosed
3	Karnali Corridor (Khulalu-Hilsa-Simikot- Salisalla)	2012/13	2027/28	6.66	30	1.36	24.00
4	Koshi Corridor (Khandbari to Kimathangka)	2008/09	2027/28	11.93	68	5.06	42.00
5	Kaligandaki Corridor (Gaidakot-Korala Road Section)	2009/10	2026/27	35.79	3.37	13.57	38.00
6	Postal Highway Project	2009/10	2026/27	65.20	6.82	59.65	91.00
7	Rani Jamara Kulariya Irrigation Project	2010/11	2023/24	27.70	1.86	18.06	66.97
8	Sikta Irrigation Project	2004/05	2032/33	52.64	85	19.85	39.76
9	Babai Irrigation Project	1988/89	2025/26	18.96	1.49	12.65	70.03
10	Mahakali Irrigation Project	2006/07	2030/31	35.00	26	6.59	18.84
11	Bheri-Babai Diversion Multi-purpose Project	2011/12	2027/28	36.80	1.07	16.53	63.3
12	Budi Gandaki Hydropower Project	2012/13	2026/27	260.00	1.32	41.35	not disclosed
13	Sunkoshi Marine Diversion Multipurpose Project	2019/20	2027/28	49.42	5.38	8.92	21.4
14	Upper Tamakoshi Hydropower Project	2010/11	Completed	49.29	0	52.98	100
15	Pachhim Seti Hydropower Project	2010/11	not disclosed	273.85	0	0	0
16	Pashupati Area Development Trust	2013/14	not disclosed	2.64	21	1.79	67.00
17	Lumbini Area Development Trust	2012/13	2026/27	13.26	1.24	8.00	87.00
18	Pokhara Regional International Airport	2017/18	2022/23	22.00	0	25.34	98.00
19	Nijgadh International Airport Project	2014/15	2028/29	165.00	3	1.02	not disclosed
20	Gautam Buddha International Airport	2008/09	Completed	30.91	0	35.66	100
21	Melamchi Drinking Water Project	1998/99	not disclosed	35.54	68	31.34	99.00
22	Kathmandu-Tarai Madhesh Fast Track	2007/08	2026/27	211.93	14.94	49.24	25.54
23	President Chure-Terai Madhesh Conservation Development Board	2014/15	2036/37	249.72	1.98	14.06	6.07
24	Electricity Transmission Project	2010/11	2027/28	61.26	48	3.55	not specified

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The National Planning Commission has not prepared the amended medium-term budget estimate and updated statement of investments of the 24 National Pride Projects of fiscal year 2022/23. Amongst the implemented 24 projects, 2 projects are completed, 4 projects have achieved 80 percent or above overall physical progress, 5 projects have achieved 50 to 80 percent physical progress, 9 projects have achieved less than 50 percent progress and the physical progress status of 4 projects are not specified. The initial costs of the projects have been growing due to non-completion of the projects within stipulated time. By making the arrangement of effective machinery for completing the National Pride Projects within specified time, the role of subject-wise ministries in implementation of the projects should be made more responsible and the monitoring mechanism should also be made more effective.

26. Game-Changer Project - For achieving the national and subject/sectorial targets/objectives set by the Fifteenth Plan, total 17 projects have been identified and selected as Game-Changer Projects, which includes 5 projects from economic sector, 4 from social sector, 7 from infrastructural sector and 1 from democracy and good governance sector. Amongst the projects, the overall physical progresses of Public School Enabling Project and Technical and Vocational Education & Training Program of the educational sector are found 80 percent, and Galchhi-Trishuli-Mailung-Syaphrubeshi-Rasuwagadhi Road Project is found 74 percent. The overall physical progresses of Pachhim Seti 400 KV Transmission Line Project Component run under National and Inter-Country Transmission Line Program and Provincial and Local Road Construction and Improvement Program as of 2022/23 are found zero. The physical progresses of other projects have remained less than 50 percent. The mid-term review of the Game-Changer Projects/Programs along with disclosure of existing implementation status and physical and financial progress have not taken place. There should be arrangements to attain the results by completing such project on time.

27. Virement - Out of this year's total budget NRs. 1 trillion 793 billion 837.3 million, the virement of NRs. 95 billion 297.4 million (5.31 percent of the budget) has been done. Out of the amount, the virement of NRs. 23 billion 106.5 million has been done in the month of Ashadh 2080 (Mid-June - Mid-July 2023) and NRs. 13 billion 819.9 million in the last week of the Ashadh 2080 (10-17 July 2023) for transferring budgets in various budget Heading/Sub-headings.

By making virement, the budget of NRs. 15 billion 499 million has been provisioned in various 16 programs, which have no initial budget appropriation, out of which NRs. 8 billion 276 million (53.40 percent) has been spent. Similarly, though the Point No. 369 of this year's budget mentioned that the budget

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appropriated in National Pride Projects will not be transferred in others except another National Pride Projects, but NRs. 5 billion 787.5 million appropriated in 8 National Pride Projects has been transferred in other 51 projects other than National Pride Projects against the budget provision. Virement should be done remaining within the scope of laws.

28. **Year-end Expenditure/Payment -** Rule 30 of the Financial Procedure & Fiscal Accountability Rules, 2077 (2020) provides that the payment/ disbursement accounts shall have to be closed settling all payments and updating the disbursement and expenditure accounts at least 7 days prior to the ending of each fiscal year. It is observed from the statement obtained from Ministry of Finance that out of this year's total expenditure NRs. 1 trillion 421 billion 327 million, the government has spent NRs. 245 billion 669.1 million (17.28 percent) in the month of Ashadh 2080 (Mid-June - Mid-July 2023). Of the expenditure, NRs. 88 billion 667.7 million (6.24 percent of total expenditure) has been spent in the last week of the month of Ashadh (10-17 July 2023). By complying with the provisions of the Rules and making expenditure/ payment as per approved program and expenditure work-schedule, the act of incurring expenditure after the third week of Ashadh should be controlled.

29. **Cash Management** - Rule 29 of the Financial Procedure & Fiscal Accountability Rules, 2077 (2020) provides that the Ministry of Finance shall have to prepare a cash plan in coordination with various entities by analyzing cash needs of the Government of Nepal. Amongst the entities that need to be facilitated and regulated by the Government of Nepal, the revenues raised by some of the entities along with Electricity Development Department have been deposited directly in the Consolidated Fund, however, the amounts collected as revenues including service fees by the Nepal Telecommunication Authority, Insurance Authority, Security Board, Nepal Civil Aviation Authority etc. have been recognized as incomes of the concerned entities. Since the arrangement has not been done to deposit a specific portion of amounts being collected from usage and mobilization of the infrastructures constructed by the Government in the Consolidated Fund, total bank balance of NRs. 21 billion 590.5 million has been witnessed in 88 non-budgetary entities as per inclusion in the financial statements of the Financial Comptroller General Office. Besides these, such bank balances have been found in the accounts of the public entities in which the Nepal Financial Reporting Standards are applicable. The balance amounts of such entities have been kept in fixed and saving deposits with minimal interest rates and current bank.

Out of amounts granted as fiscal transfer to the Provinces and Local Levels in this year, total NRs. 177 billion 36.2 million inclusive of NRs. 82

billion 88.9 million in Provinces and NRs. 94 billion 947.3 million in Local Levels has been retained in their concerned Consolidated Funds without incurring expenditures. The Federal Government has provided the grant amounts to the Provinces and Local Levels taking loans owing to the resource constraint, and if calculated the interest of the unspent retained amounts in the Consolidated Funds of the Provinces and Local Levels for 2022/23 on the basis of internal loan's an average rate of 9 percent per annum, the interest payable amount becomes NRs. 15 billion 933.3 million. Hence, the Government should prepare a cash flows plan by projecting the cash requirements for meeting the government expenditures.

30. **Regulation of Banks and Financial Institutions** - Nepal Rastra Bank has been acting as a regulatory body for the banking and financial sector in Nepal. As per the Nepal Rastra Bank Annual Report, 2022/23, the average deposit interest rate and loan interest rate of commercial banks, which stood 4.65 percent and 8.46 percent respectively in 2078 Ashadh (2021 Mid June - Mid July) and 7.41 percent and 11.62 percent respectively in 2079 Ashadh (2022), has reached to 7.86 percent and 12.30 percent respectively in 2080 Ashadh (2023). In a situation of the banks and financial institutions have been collecting additional premium on the top of interest as against the Nepal Rastra Bank's directives, the Bank has issued directives to he banks for refunding the additional premium amount, but it has not maintained the updated statistical description related to the implementation of directives. As per the statistics of 2022/23 published by the Nepal Rastra Bank, amongst the total loans floated by the commercial banks, 15.43 percent has been invested in productive sector, 8.5 percent invested in agricultural sector, and 33.33 percent invested in non-productive sector, such as purchase or sell of land and building, hire purchase (fixed assets, other and consumable sector). Necessary works need to be done for establishing the financial stability.

31. **Foreign Currency Reserve** - The foreign currency reserve has reached to NRs. 1 trillion 539.36 billion in Ashadh 2080 (2023 Mid-July) as compared to NRs. 1 trillion 215.80 billion existed in Ashadh 2079 (2022 Mid-July). The current account has remained negative by NRs. 72.16 billion in 2080 Ashadh-end. Similarly, the status of balance of payment has existed surplus by NRs. 290.52 billion in 2022/23. By improving the status of trade balance, foreign currency reserves and balance of payment, appropriate strategies need to be adopted to make the economy sustainable and effective.

32. **Standing Liquidity Facility (S.L.F.)** - Nepal Rastra Bank has issued Directives relating to Risk Management on 15/11/2021 for the management of liquidity risks in banks and financial institutions. For the banks and financial institutions,

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the Nepal Rastra Bank has availed the S.L.F. facility of NRs. 103 billion with 83 times in 2019/20, NRs. 361 billion with 167 times in 2020/21, NRs. 9 trillion 170 billion with 4 thousand 908 times in 2021/22 and NRs. 2 trillion 727 billion with 1 thousand 657 times till Jestha-end (Mid-June) in 2022/23. In course of complying with the directives issued by the central bank pursuant to the liquidity management of the banks and financial institutions, the S.L.F. facility needs to be provided in a state of insufficiency of liquidity, but such state has not been ascertained.

33. Privileged Loan - As per the statement obtained from the Nepal Rastra Bank, the commercial banks have availed NRs. 259.55 billion privileged loans as of 2021/22 and paid NRs. 16 billion 965 million in respect to interest subsidy to the maximum of 5 percent. They have provided NRs. 22.39 billion as accumulated interest subsidy up to this year. The arrears amount of privileged loans has reached NRs. 198.27 billion up to end of 2080 Ashadh (17 July 2023). However, the commercial banks have not prepared a statement disclosing the status of privileged loans, and expenditure incurred on such loans, including interest subsidies provided. The loan recovery should also be made effective by preparing such statement.

34. Loan for Aircraft Procurement - As per the Government of Nepal's guarantee of NRs. 10 billion, a loan agreement of NRs. 9 billion 981 million 117 thousand was signed between the Nepal Airlines Corporation and Employees Provident Fund on 2013/06/18 for procuring 2 Narrow-Body Airbus aircraft, and as per the Government of Nepal's guarantee of NRs. 12 billion, another loan agreement of NRs. 11 billion 996.1 million was signed between the same organizations on 2017/06/11 for procuring 1 Wide-body Airbus aircraft. Since the Corporation has not paid interest timely basis and the Fund's Board of Directors have taken decisions to capitalize the unpaid interest, the loan's principal amount has surged to NRs. 28 billion 573.5 million. The Fund has not obtained additional guarantee of the Government of Nepal so as to cover the increased liability amount. Though the Fund has taken a decision for making one hundred percent loan loss provision with regards to the outstanding loan amount in excess of the guarantees, but it has made loan loss provision of NRs. 1 billion 795.7 million only up to this year. The Fund should take initiative to obtain the guarantee of the Government of Nepal to cover the increased loan amount.

35. Project Loan Flow - Out of the loans offered by the Employees Provident Fund, total loan NRs. 2 billion 948.9 million inclusive of recoverable interest has appeared as bad loans lying outstanding to be recovered, which includes NRs. 1 billion 953.3 million due from various 5 companies, NRs. 538.4 million due from 4 industries, and NRs. 457.2 million due from 2 hotel/ resort. Section 15(4) of

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Employees Provident Fund Act 2019 (1962) provisions that if any amount becomes insufficient for distributing annual interest at the rate of 3 percent in valuating the Fund's capital and liabilities at the ending day in each fiscal year, such insufficient amount shall be chargeable on the Consolidated Fund of the Government of Nepal. Hence arrangements should be made for recovering the outstanding principal and interest amounts as per the Fund's Loan Investment Recovery Procedures and signed agreements.

36. Tax Scope - Income Tax Act, 2058 (2002), Value Added Tax Act, 2052 (1996) and Excise Duty Act, 2058 (2002) have made the provisions that a natural person engaged in any occupation, business or transaction shall have to make registration in prescribed format and obtain certificates. The numbers of taxpayers registered in tax office and obtained certificates are as follows: :

Description	Up to 2019/20	Up to 2020/21	Up to 2021/22	Plus/minus in 2022/23	Up to 2022/23
Business Permanent Account Number	1,429,604	1,577,383	1,762,413	142,699	1,905,112
Individual Permanent Account Number	1,978,680	2,471,726	3,050,304	613,483	3,663,787
Advance tax Permanent Account Number	5,106	9,998	18,094	10,028	28,122
Total	**3,413,390**	**4,059,107**	**4,830,811**	**766,210**	**5,597,021**
Registration in Value Added Tax	268,436	285,098	291,361	24,189	315,550
Excise Duty Certificate Issued	94,292	103,423	131,127	-14,452	116,675

Source: Annual Report of Inland Revenue Department

As per above statement, the number of taxpayers obtaining Business Permanent Account Number (PAN) has increased by 8.10 percent, and the taxpayers registered in VAT has increased by 8.30 percent in this year as compared to corresponding figures of 2021/22, whilst the number of taxpayers renewing excise duty certificate has dropped by 26.78 percent as compared to previous year.

37. Status of Value Added Tax - Section 18 of the Value Added Tax, 2052 (1996) stipulates that each taxpayer shall determine tax amount every month making self-tax assessment and submit its tax returns within 25 days of the elapse of each month. The status of VAT implementation of last 5 years as the Inland Revenue Department is as follows:

Description	2018/19	2019/20	2020/21	2021/22	2022/23
Debit Returns Percent	25.60	22.17	11.07	22.87	11.31
Credit Returns Percent	45.90	48.38	55.15	45.71	58.77
Zero Returns Percent	28.50	29.45	33.78	31.42	29.92
Debit in Ashadh	12.69	11.23	10.48	15.65	14.18

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(NRs. in Billion)					
Credit in Ashadh (NRs. in Billion)	39.74	42.4	47.44	71.27	69.85
Credit/Debit Ratio (Times)	3.13	3.77	4.53	4.55	4.92

As per the Annual Report of the Inland Revenue Department, the VAT (internal) having debit returns of NRs. 14.18 billion and credit returns of NRs. 69.85 billion remaining at the end of this year has been submitted. In order to increase the share of VAT in total internal revenue and increase the internal collection, various systems, such as - E-invoice system, online connectivity, billing enforcements, market monitoring etc. should be adopted.

38. National Single Window System - For the systematizing international trade, the Government of Nepal has prepared Nepal National Single Window System Operational Guide, 2078 (2021) with the support of the World Bank and put it into operation. As per the System, various 48 entities related to exports/ imports are required to be linked in single E-system of the Customs, however only 18 entities have been linked in the System up to now. Total NRs. 404 million 307 thousand has been spent till now for the development, operation, quality assurance, monitoring and regular repair & maintenance of the system, however, the audit has observed that the installation work of the system in various 30 entities is still outstanding, and some of entities that have completed installation of the system have not put the system into operations.

39. Use and Safeguard of Land - Tribhuvan University and its subordinate entities have owned total 14 million 789 thousand square meters (1 thousand 479 hectares) of lands, 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 have been used by 1 school and 26 ropanies lands existed in the bank of the Bagmati River have been used by various 3 institutions, but the University has not received any income from the usage. Likewise, more than 625 ropanies lands owned by Pokhara University have been encroached by homeless people. Proper safeguards of the encroached lands needs to be done by maintaining central records of the Universities assets and by keeping coordination with the concerned entities, and such lands are to be used in income-generating activities.

40. Land Ownership and Safeguard - Section 11 of the Nepal Trust Act, 2064 (2007) mentions that any fixed asset owned by the Nepal Trust shall not be registered in the name of any person or promoter, irrespective of any provisions made in any other prevalent laws. As against the provision, the ownership of 172 ropani 15 aana lands existed in Matatirtha, Thankot, Satungal and Ichangu of

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Kathmandu, the land ownership certificate of which was obtained in the name of the Nepal Trust in past, had been transferred in the name of tenants and their heirs in accordance with the Government of Nepal, Council of Ministers' decision made on 12/09/2007. With regards to the transfer of registration of the Trust's property 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. Though an audit observation was pointed out last year in respect to 404 ropani 6 anna of lands situated in 11 places including - Balaju, Swayembhu, Sheshnarayan, Thankot etc. have not been brought under the Trust's use as those lands have been still cultivated by the tenants till the date and one private school has been run in the land, however, the situation has remained status quo even in this year.

41. Encroachment of Forest and Protected Areas - It is mentioned in Section 49 of the Forest Act, 2076 (2019) and Section 5 of the National Parks and Wildlife Conservation Act, 2029 (1972) that any act of making encroachment of national forests area and parks shall be regarded as a punishable crime. The statement obtained from Department of Forest and Soil Conservation shows that 104 thousand hectares of forest areas existed in 65 districts have been under encroachment. Likewise, the protected areas of 4 thousand 39.12 hectares of land under jurisdiction of Department of National Parks and Wildlife Conservation has been under encroachment. The concerned Ministry should take steps to make free from encroachments by updating the status of encroached forests and protected areas and taking actions as per prevalent laws.

42. Encroachment of Land - The Supreme Court had issued a mandamus order on 27/03/2006 in the name of opposition parties - Ministry of Land Reforms and Management and Guthi Sansthan for making necessary protection of the lands registered in the name of Swargadwari Ashram. Out of Aashram's 1 thousand 34 bighas of land existed in various places of Dang District, 209 bighas 11 kaththa lands have been encroached by various persons and institutions. Though the Land Reforms and Revenue Management Office, Dang has urged to the concerned District Administration Office for clearing the encroachments, the lands have still remained in encroached state till now.

In accordance with the Government of Nepal, Council of Ministers' decision made on 17/08/1990, 535 ropanis 3 annas lands existed in Gothatar of Kathmandu District had come in the name of Pashupati Development Fund. The lands, which came into dispute time to time due to sand mines, has been encroached with the construction of 11 permanent houses, 40 cottages and building of 1 school due to absence of protection work from the side of the Fund. Likewise, in the study report conducted on 23/09/2021, it was stated that some

parts of the land amongst 58.11 bighas land of Sagarhawa area owned by the Lumbini Development Fund have been occupied by 56 families by constructing houses/cottages and arable lands have been cultivated by 31 families. The protection and conservation should be done to the archaeological heritages and lands.

For making proper conservation and development of the Bagmati civilization and river and river banks, the High Powered Committee for Integrated Development of the Bagmati Civilization under its work scope related to the Bagmati River has covered its activities such as, constructing sewerages and corridor roads in both side of the River, constructing parks for the beautification of river banks, protecting public lands, constructing dams and sanitation etc. The High Powered Committee has formed a study committee to seek alternatives with long-term solution for changing unplanned settlements into planned settlement, and the Committee has submitted its report on 07/09/2022. The Committee report mentions that there exist unplanned settlement of 3 thousand 496 households built in the river banks within Kathmandu valley. It is because of encroachment of lands in many places - including Sinamangal, Thapathali of Bagmati River and surrounding areas of other tributary rivers, the construction works of corridor roads and dams has not been commenced.

43. **Participation in Voting** - The main constitutional responsibility of the Election Commission is to hold fair and impartial election. In the Election of House of Representatives and Provincial Assemblies, 2079 (2022), only 11 million 126 thousand 226 voters (61.85 percent) voters have used voting rights out of 17 million 988 thousand 570 voters, and 6.06 percent votes of the first-past and 5.09 percent votes of the proportionate have become void. As compared to 68.67 percent votes casted in the Election of House of Representatives and Provincial Assemblies, 2074 (2017), only 61.85 percent voters have casted their votes in the Election, 2079, which shows a declining trend of the voter's participation in voting. The voter's education programs need to be effectively implemented in order to increase the voter's participation in voting and minimize the number of void votes.

44. **Tracking System** - Section 13(C) of the Revenue Leakage (Investigation and Controls) Act, 2052 (1995) provisions that prior to transferring any goods from one place to another place as per laws, such goods shall have to transfer only after making entry of description of the goods to be transported in Web-based Central Information System. Total 209 thousand 941 users have been registered in the System. The Revenue Investigation Department, by conducting monitoring to the firms not using the tracking system, has recovered total fine

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NRs. 25 million 477 thousand from 427 firms in this year. While transporting goods loading in single transporting means, separate declarations are to be made in go-down/yard, customs declaration form and tracking system, this has increased time and cost of the service recipients. For minimizing these, the Department should enhance the tracking system for automatically using the description entered in customs declaration form in its tracking system, and should control revenue leakages by making the system effective through establishing linkage between the ASYCUDA and monitoring system of goods transporting means.

45. Implementation of Report - The Asia-Pacific Group has issued Anti- money Laundering and Counter-terrorist Financing Measures, Nepal - Mutual Evaluation Report on 9 September 2023. While conducting the mutual evaluation by the Financial Action Work Group, it has determined effectiveness based on technical compliance to 40 recommendations, and it is mentioned in the report that Nepal's has not complied with recommendations relating to implementation of the targeted financial sanctions, likely risks of non-profit organizations and identification and assessment of risks related to new technology. While conducted assessment by the Group by classifying 11 sectors to organizational frameworks relating to this, the Group has classified Nepal's compliance in moderate level to 4 sectors and low level to 7 sectors. The sectors with low level compliance include - the regulation of investment, preventive measures, approval and supervision of financial transactions etc.

Since the timeframe given for making improvements in the subject matters specified in the report has been fixed up to 2024 October, improvements need to done in the sectors specified in the report in order to bring positive results in Nepal's evaluation.

46. Federal Civil Service Act- Article 285 of the Constitution of Nepal provisions related to the constitution of government service. It is mentioned that the Government of Nepal may, in order to run the administration of the country, constitute the federal civil service and such other federal government services as may required, and the constitution, operation and conditions of service of such services shall be as provided in a Federal Act. The Federal Civil Service Act has not been issued even after passage of 8 years of the promulgation of the Constitution of Nepal. However, the Federal Civil Service Ordinance has been submitted in the Federal Parliament on 4 March 2024.

The Employee Adjustment Act, 2075 (2019) stipulates that the province and local level, while formulating laws related to the formation of the province civil service and local service, shall take basis of the basic principles and practices adopted in the federal civil service laws. All seven provinces have

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enacted and implemented their own Province Civil Service Act varying some of provisions made in existing Civil Service Act, 2049 (1993). There has been no clarity in career development opportunities - including the recruitment, selection, transfer, promotion of adjusted employees in the provinces and local level due to non-issuance of the above mentioned Act.

47. **Employees' Transfer Management** - The Civil Service Act, 2049 (1993), mentions that the civil employees shall be transferred in order to provide experience of different geographical regions of the country, and the Ministry of Federal Affairs and General Administration shall have the powers to make transfer of the civil employees of one Ministry or Departments or Offices thereunder to another Ministry or Departments or Offices thereunder. Rule 36 of the Civil Service Regulation, 2050 (1993) has determined timeframe and basis of transfers. As per the provisions, the Ministry is supposed to do transfer in the Month of Bhadra every year, but the act of making transfers and keeping on deputations has been done throughout the year. Out of 1 thousand 954 gazetted employees and 1 thousand 347 non-gazetted/ class-less employees transferred by the Ministry in 2022/23, only 13 percent has been transferred in the Bhadra Month and the rest 87 percent has been transferred in other months.

Section 84(4) of the Local Government Operations Act, 2074 (2017) provides that until the Chief Administrative Officers are appointed in accordance with laws, the Government of Nepal shall send any officer level employee for acting as Chief Administrative Officers. In 2022/23, the Ministry has sent 1 thousand 315 employees in local levels for acting as Chief Administrative Officers, transferred one employee in more than 2 local levels in a year, and sent employees to act for officiating in 190 local levels. Though the meeting of National Development Problems Solving Committee held on 17/03/2023 has taken a decision for making necessary arrangement of retaining the employees sent from the Federation to Local Levels at least for one year, but the decision has not been adhered.

48. **Service Delivery of Hospitals** - Though the National Academy for Medical Sciences (Bir Hospital) having huge pressure of patients, has existed as a fully facilitated referral hospital, but the patients are required wait from 1 week up to 1 year as per nature of diseases for the surgery related treatment. In Patan Health Science Academy, the patients are required to wait 3 to 6 hours for health test, 4 to 12 weeks of getting surgery as per nature of diseases, 4 to 5 months for hemodialysis services, up to 1 week for endoscopy services. In Sahid Dharmabhakta National Transplant Center, about 700 patients are in queue for dialysis services and patients are required to wait 6 month to 1 year for getting hospital services. In B. P. Koirala Memorial Cancer Hospital, Chitwan, patients

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are required to wait up to 45 days for radio-therapy and the service recipients have not received the treatment of complex nature of diseases due to unavailability the Pet CT scan, bone-marrow transplant and mammography machines, which are very essential for the treatment of cancer diseases. In Kanti Hospital, patients are required to be in queue 3 months to 1 year for general surgery and 6 months to 2 years for getting surgery of hydrocele. Arrangements should be made to provide easily assessable and quick/prompt services in hospitals.

49. **Use of Equipment** - Koshi Hospital have not used 10 set of bipap machines and 2 set of ventilators of value NRs. 2 million 110 thousand provided by the Department of Health Services. In Sahid Dharmabhakta National Transplant Center, only 61 out of 86 dialysis machines are in running condition. In National Academy for Medical Sciences, various machines including 45 set of ventilators (received as handover) and procured arthroscopy machine and OT table have not been brought in use. The Department of Health Services have procured various equipment without assessing the demands and handed over such equipment to various hospitals without disclosing the prices and warranty/guarantee documents. The Ministry should maintain records by conducting monitoring of the equipment prevailed in hospitals and make necessary arrangements for their effective utilization.

In B.P. Koirala Health Science Academy, 3 M.R.I. machines procured in past years and 7 sets of hemodialysis machines provided by the Department of Health Services are not found in running condition, whereas the Academy has also not performed procurement of another M.R.I. machines despite of the receipt of disbursement NRs. 310 million from the Ministry for procuring the machines, and as a result, the hospital has been sending the patients outside the hospital for doing M.R.I. tests. The Hospital has not constructed Oncology Department Building despite of the receipt of disbursement NRs. 216.7 million in 2017/18 for the construction of the building. The Oxygen Plant constructed in past years is not in operation now, and the Academy has not conducted Organization and Management Survey of its organization. All above causes have created problems in service delivery of the Academy.

50. **Approval of Budget** - Section 7 of the B.P. Koirala Health Science Academy Act 2049 (1992) mentions that the annual budget and programs of the Academy shall be approved by the Council of Directors to be constituted under chair of Joint-Chancellor, however, the meeting of the Council has not been taken place after 14/08/2020. The Executive Committee of the Academy, without having such powers to approve the annual budget and program, has approved and incurred expenditures by approving this year's budget and programs of total NRs.

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2 billion 925.3 million along with administrative expenditure NRs. 2 billion 754.6 million and capital expenditure NRs. 170.7 million, which is not in conformity with the law. The Academy should incur expenditures only after approval of budget and programs from the Council of Directors in accordance with legal provision.

51. Teacher-Student Ratio - Education Rule, 2059 (2002) stipulates that the Teacher-Student Ratios need to be 40 in Himalayan, 45 in Hilly and 50 in Tarai Region. As per the report published by the Education and Human Resource Center, the Teacher-Student Ratios have stood as follows:

Province	Teacher-Student Ratios			
	Basic (1-5)	Basic (6-8)	Secondary (9-10)	Secondary (11-12)
Koshi	17.2	36.5	34.1	113.9
Madhesh	55.2	115.4	78.7	138.9
Bagmati	15.8	34.6	28.4	90.7
Gandaki	11.0	26.8	22.3	64.3
Lumbini	29.4	63.6	50.9	127.1
Karnali	28.7	68.5	66.0	93.8
Sudurpachhim	27.3	60.0	54.5	60.0
Total (Average)	**26.37**	**57.91**	**47.84**	**98.38**

As stated in the report, the teacher-student average ratios have existed 26.37 in Class 1-5 and 57.91 in Class 6-8 of basic level, and 47.84 in Class 9-10 and 98.38 in Class 11-12 of secondary level. Since the Center has prepared description of teacher-student ratios only on the basis of province-wise without classifying as per Himalayan, Hilly and Tarai Region, the region-wise teacher-student ratios have not been identified.

52. Admission of Students - In order to guarantee the access of all children in education and make education compulsory and free of cost up to secondary level, the Government of Nepal has implemented the Compulsory and Free Education Act, 2075 (2019). To provide education at free of cost by getting admission in schools to the children of all age groups capable of going schools, expenditures have been increasing every year for running the programs, such as - free educational materials, scholarship, day tiffin etc. As per the statement obtained from Education and Human Resource Center, the status of student admission in basic level schools in past 5 years are as follows:

(Number in Thousand)

Year	Number of Student of Class 1-5		Number of Student of Class 6-8		Number of Student of Basic School			Student Percent of Community School	Student Percent of Institutional School
	Community	Institutional	Community	Institutional	Community	Institutional	Total		
2075 (2019)	2,793	937	1,394	431	4,187	1,369	5,555	75.40	24.60
2076 (2019)	2,479	1,055	1,315	457	3,795	1,512	5,307	71.50	28.50

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2077 (2020)	2,688	834	1,381	435	4,069	1,269	5,339	76.23	23.77
2078 (2021)	2,563	985	1,316	461	3,879	1,446	5,325	72.84	27.16
2079 (2022)	2,369	1,149	1,323	529	3,692	1,678	5,370	68.75	31.25

As per above data, the number of students getting admission in basic level (Class 1 to 8) of community schools has been declining every year and out of the students getting admission in 2022, 31.2 percent are admitted in institutional schools. The total number of students has dropped by 3.33 percent in 2022 as compared to 2018, out of which the number has dropped by 11.82 percent in community schools, whereas it has increased by 22.57 percent in institutional schools. In a state the government's investments in educational sector are rising every year, the attraction of students in community schools has been declining owing to non-improvement in educational quality standards of the community schools. The educational quality standards of community schools need to be improved in order to make success to the program "Compulsory Education to All and Education up to Secondary Level."

53. **Enlisting of Farmers and Identity Card** - Section 14 of the Right to Food and Food Sovereignty Act, 2075 (2019) stipulates that the Government of Nepal shall issue identity cards to farmers by identifying and classifying them as specified manner and any privilege, discount, facilities receivable from the state and contribution based pension as per law shall be provided to the farmers on that basis. In the statement obtained from the Ministry of Agriculture and Livestock Development, it has stated that the enlistment of 1.8 million farmer families has been done up to this year, but the identity cards have not been issued to them. Several activities including the commencement of farmer's pension scheme and the establishment of farmers' welfare fund have been affected due to non-classification and non-listing and non-issuance of identity cards to the farmers. Hence, the works of classifying, enlisting and issuing identity cards to the farmers need to be completed on time, and necessary arrangements are to be made to award discounts, privileges and subsidies to the farmers on that basis.

54. **Grants and Usage** - With allocation of total budget NRs. 41 billion 150.6 million in grants, the Ministry of Agriculture and Livestock Development has incurred total expenditure NRs. 36 billion 43.4 million in distribution of grants, out of which NRs. 31 billion 203.3 million is spent in procurement of chemical fertilizers, NRs. 759.9 million in the payment of crop and livestock insurance premium, NRs. 736.1 million in grants to the sugarcane farmers and NRs. 3 billion 344.1 million spent in other seeds, plant, machinery, agricultural tools. With the implementation of the federalism, various types of grant programs have been implemented in the agriculture sector from all three tiers of governments

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including the Federation, Provinces and Local Levels, but a consolidated record of such grants has not been updated due to lack of coordination between the three governments, and the monitoring and evaluation of the usages of such grants have also not been conducted effectively. As a result, the anticipated growth in the agriculture sector's production and productivity has not been achieved. The grants distribution should be made further systematized by issuing identity cards to the farmers and preparing national policy and management information system for the distribution of grants.

55. Minimum Support Price - The Government of Nepal has been determining minimum support prices of only paddy, wheat, sugarcane and raw milk upon the recommendation of the Ministry taking basis to the production cost, transportation and last year's prices, but the work procedures related to this have not been prepared, and an arrangement has not been done for purchasing the goods by the government if any specified goods are not sold at the minimum support prices. In addition, the support prices of other main agriculture production have not been determined. The work procedures related to determining minimum support prices should be timely prepared in order to guarantee the proper price of agricultural products to the farmers on the basis of the farmer's cost security and production cost, and the purchases of all other major agricultural products from the farmers should also to be guaranteed by determining minimum support prices of all such agricultural products.

56. Utilization of Forest Products - The Forest Policy, 2075 (2019) has set an objective to becoming self-reliant in forest products and making export promotion along with value add. In forest areas, the numbers of broken, dried and fallen, damaged, and old and over-aged trees are increasing every year. The statistics of the Customs Department states that the woods and wood-based products worth NRs. 2.33 billion have been imported in 2020/21, NRs. 7.99 billion in 2021/22 and NRs. 6.40 billion in 2022/23 due to non-availability of woods as per requirements. It is because of non-utilization of domestic woods, the government has been loosing receivable income and the wood-based products of billions of Rupees have been imported. Hence, arrangements should be made to make contribution in national economy through the proper utilization of forest products along with the management of the fallen/broken and dried trees.

57. Environmental Impact Assessment - Section 3 of the Environment Protection Act, 2076 (2019) provides that each proponent shall prepare a report conducting environmental study & assessment and submit such report to concerned entity for the approval. Rule 9 of the Environment Protection Rules, 2077 (2019) stipulates that the Ministry of Forest & Environment shall have to approve such

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environmental impact assessment report within 35 days. In this year, the Ministry has approved 37 reports and has taken up to 1 thousand 245 days for approving the reports. The Ministry has taken to the maximum of 238 days for making correspondences and collecting evidences after registration, 305 days for making recommendations after the submission of replies, and 278 days for approving after the recommendations. It is because of the arrangements of procurement contracts without approving environmental impact assessment reports and delays occurred in approvals, the time and cost of consultancy services as well as the construction works have been increasing. The Ministry should short out existing problems witnessed in approval of environmental impact assessments and improve the situation by establishing coordination with the concerned stakeholders.

58. **Geo-Information System** - In accordance with Rule 23(A) of the Land Revenue Regulation, 2036 (1979) (Sixth Amendment), the Department of Land Management and Records has been making modification in the services related to land administration as per need of time, and the Department has brought in use to the IT based Geo-Information System through 6 common users under 4 Land Revenue Offices, 2 thousand 986 Geo-Service Centers in 98 Land Revenue Offices, 56 local users, 21 banks and financial institutions and 9 Cooperatives and Employees Provident Fund users in accordance with Geo-Service Center Operational Directives, 2076 (2019). In this System, the land owner, who wishes to make transfer the ownership of land and building (fixed assets) having own ownership, can submit necessary written forms and application online basis to the concerned Land Reforms and Revenue Management by filling up either from own residence or through the Geo-service center as convenient and can make print out of such written form and application through the System. Despite of availability of such online services, the services of Geo-Service Centers have not been becoming effective due to lack of basic knowledge amongst the general people related to land administration. The Department should enhance the usage of Geo-Service System by conducting monitoring of the standards related to fees charged in using the system and the operations and usage of the Service Centers and its effectiveness.

59. **Social Security Allowance** - Section 3 of the Social Security Act, 2075 (2019), stipulates that the social security allowance will be distributed to the elderly person, economically poor, disable, and helpless person, and helpless single women, handicapped person, children, the citizen who cannot take care own and disappearing caste. As per statement obtained from the Department of National Id and Vital Registration, social security allowance of total NRs 108 billion 370.2 million has been distributed to 3.8 million citizens in this year. The amount

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has increased by 12.82 percent compared to previous year. In Nepal, during last 10 years, the revenue of the Federal Government has increased by 19.2 percent, whereas the annual growth rate of beneficiaries getting social security allowance has appeared 10.42 percent and annual growth rate of social security allowance amount has remained 30.53 percent.

60. Monitoring Children Home - For the protection and promotion of rights and interests of the children, Section 59 of the Act relating to Children, 2075 (2019) has defined the responsibility of National Children's Rights Council as making protection and promotion of the children's rights and making coordination and monitoring for their safeguards and assistances. The Council has conducted monitoring of 124 children homes physically in order to know the condition of 3 thousand 62 children, and it has done rescue, protection and management to 390 children from the 24 children homes, which are run by non-governmental organizations without meeting the standards since last 5 years, and 41 children from 2 children homes that operated against the specified standards. Though audit recommendations were provided in past years time to time for making rescues of the children patronized in institutions as soon as possible for their proper management and protection, but the recommendations have not been implemented. The audit recommendations need to be implemented for the improvement in children homes.

61. Restructuring of Postal Service - It is mentioned in the Fifteenth Plan that the postal service will be made autonomous, competitive and professionalized by conducting institutional restructuring. Under Department of Postal Services, there exist 4 entities in central level, 4 Postal Directorates, 70 District Post Offices, one Post Office in each local level. The Department has not been able to make systematized to the distribution of letters, parcels and international express letters/documents and commercial parcels receivable from abroad. Though postal service has been an essential service, but its work-loads has been decreasing and the service delivery has not become time relevant, and hence, the services delivered by postal offices need to be diversified and the postal services need to be restructured. In addition, there should be arrangements for regulation of the service providing entities of the courier services and online delivery companies carrying out activities like postal services.

62. Mobile Device Management System - For the purpose of making mobile device safe and controlling illegal mobile imports, the Nepal Telecommunication Authority had entered a procurement contract of US Dollar 7 million 66 thousand 888 with one international joint-venture consultant on 2019/07/04 for designing, supplying, installing, commissioning and operating the Mobile Device Management System along with supplying the primary site container and

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installing seven servers switch routers inside it and secondary data center equipment's server switch/racks, with the terms completing all works by 2019/12/03 and providing technical assistance up to 5 years, and the Authority has made total payment of US Dollar 1 million 668 thousand 65 till now. Since the consultancy has not completed works within the specified period, the time has been extended up to 2024/03/17 granting extension time to time, but the hardware procurements and installation works have not been commissioned in the extended period. The contract works should be completed by taking actions as per prevalent laws and terms of contract.

63. **Security Printing Press** - For operating security printing press, the management of employees needs to be done conducting the Organization and Management Survey along with the analysis of the required manpower skills and workloads as per nature of work, and a procurement master plan also needs to be prepared for the plan to be operated more than one year. For the assurance budget as a multi-year plan for operating a security printing press, the Security Printing Center prepared a procurement plan with cost estimate of NRs. 33.02 billion for constructing building and procurement of machines/ equipment during the period from 2020/21 to 2022/23, and with regards to the procurement plan, the Minister level decision of 6/7/2020 stated that further discussion are needed. Without making assurance of budget as a multi-year plan, the Center has spent NRs. 2 billion 820 million 631 thousand in procurement of machines/equipment and NRs. 2 billion 241 million 41 thousand in building construction, Security Digital Printer Production System and equipment up to this year. It has procured machines, equipment, vehicles prior to completion of the construction works and building. Since the procured machines/ equipment are not in use, the effectiveness of expenditure has not been found. The Center should approve the employee's positions for essential manpower, and the procurement of machines, equipment, tools should be done only after assurance of their usage.

64. **Optical Fiber** - For laying down optical fibers in Mid-Hill Highway and surrounding areas of district headquarters and municipalities, North-South Highway and East-West Highway and prepare a National Information Super Highway with the mobilization of Rural Telecommunication Fund, the Nepal Telecommunication Authority has classified the project work into 3 sections. For constructing 3 sections, comprising of - the Koshi, Madhesh and Bagamati Province as one section, Gandaki and Lumbini Province as second section and Karnali and Sudurpachhim Province as third section, the contract agreements of total NRs. 8 billion 95 million 659 thousand have been signed with 2 service providers. Up to now, the works of laying optical fiber only 1 thousand 383 km has been completed in Mid-Hill Highway as compared to the requirements of

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completing 2 thousand 179 km, and the areas of 653 km are needed changing and the site of microwave has not been determined. With regards to the contract agreement made for laying 2 thousand 160 km optical fiber network from Aarughat of Gorkha District to Gandaki Province and Lumbini Province, the progress has remained zero. With regards to the contract for laying 1 thousand 992 km optical fiber in Mid-Hill Highway and its surrounding districts of Karnali Province and Sudurpachhim Province, the works of 309 km A.D.S.S. and 23 out 26 D.W.D.M. have been completed, but other works related to these are still remaining. Though the works are required to complete within 2 years as per procurement contract, but the construction works have not been completed. All works need to be completed within the specified timeframe as per the contract agreements.

65. **Cash Incentives** - As per arrangements of providing cash incentive in exports made in Budget Speech 2011/12 in order to make domestic production export-oriented and reduce the foreign trade imbalance, the Department of Industry has been providing grants to exporters preparing work procedures. The Department has provided NRs. 6 billion 349.2 million as cash incentive grants up to this year, along with NRs. 1 billion provided to 210 industries in this year. Based on the existence of export NRs. 77.35 billion and distribution of export grants NRs. 24.81 billion in initial years, by now, the export has increased by 165 percent as compared to 476 percent increment in export incentive grants. It has become essential to make reviews in existing cash incentive policy - by calculating value add percent on actual cost based on the components to be utilized in production of goods, preparing value add norms and conducting a study on the impact of grants on exports.

66. **Regulation of E-commerce** - National Strategy, 2076 related to Development and Use of E-commerce of Nepal mentions that legal arrangements will be made for the regulation, management, facilitation and protection of consumers' interests. With regards to obtaining the goods and services through the use of Nepal's various domestic, foreign and international E-commerce sites, it has become difficulty in conducting monitoring due to lack of separate business code for operating such transactions from the country, and the regulation business transactions of foreign sites has also not been done due to non-registration of the foreign institutions making such transactions in Nepal. As a result, the surveillance of prices and quality standards of the goods and services has not been done effectively. Legal arrangements need to be made in order to make the E-commerce transactions fair, qualitative, competitive and consumer-friendly.

67. **Industrial Village** - The "One Local Level One Industrial Village Establishing Program" has been operated as a Game Changer Project since 2019/20. In

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accordance of the Program's policy of providing grants to the maximum of NRs. 30 million to each local level, the Ministry has provided total grants NRs. 1 billion 430.3 million to 120 local levels up to this year. Out of the local levels receiving such grants, the first installment has been disbursed to 120 local levels, first and second installments have been disbursed to 24 local levels and third installment has been disbursed to 5 local levels. The Ministry has not maintained records related to the progresses achieved by local levels from the usage of the amounts. The programs have been implemented without analyzing the availability of lands, possibility of development of industrial village in availed land, priority and capacity of local levels, and hence, the predetermined goals of the program need to be achieved by making improvements on the implementation aspects of the program.

68. Foreign Employment - Section 3 of Foreign Employment Act, 2064 (2007) stipulates that the Government of Nepal shall specify the countries that can operate foreign employment business by publishing notice in Nepal Gazette. For foreign employments, total 111 countries have been opened on institutional basis and 178 countries have been opened on personal basis up to this year. In this year, the Department of Foreign Employment has granted labor permits to 771 thousand 327 persons for foreign employment. In the state of domestic employment is not becoming effective, the policy and procedural requirements of foreign employments are to be simplified in order to address the problems encountered in services delivery - including delays occurred in labor permits, clearance of complains, settlement of cases etc.

69. Implementation of Recommendations - For making the operations of cooperative organizations systematic and effective, the Government of Nepal has already formed 6 Committees, Commissions and Work Groups since 2004. The Committees, Commissions and Work Groups so formed had provided various suggestions, which included - provisions should be made related to crimes against the value and principles of Cooperatives; Department of Cooperatives' monitoring should be effective; Establishment of second tier organizations for making regulation, inspection and supervision of the institutions; Saving and Credit Cooperative Institutions should implement pearl rating system and other cooperative institutions should implement financial ratios; Maximum limits need to be fixed for the deposit and loans in Saving and Credit Cooperative Institutions; Cooperative institutions need to be registered as a pre-cooperative organization initially and the permanent registration are to be provided after conduct of works as per principles of cooperatives, fiscal disciplines and financial effectiveness; Code of ethics are to be arranged for the directors of cooperative organizations; Black-listing the borrowers not paying loans on time;

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Coordinating with Nepal Rastra Bank for making inspection and examining books of account of the cooperative institutions conducting saving and loan transactions more than certain specified amount etc., however, the recommendations have not been implemented. Hence, the problems witnessed in operations of cooperatives should be resolved by making studies and implementing the recommendations provided in previous reports.

70. Overdue Loan and Interest Subsidy - Clause No. 17(2) of Loan Investment and Recovery Procedures, 2077 (2020) provides that any amount invested through an institution shall be recovered by taking actions to the loan-receiver that is not paying amounts as per payment schedules or misusing the amount as specified in Cooperative Act, 2074 (2017) and An Act Relating to the Bank and Financial Institutions, 2073 (2016). Out of the amounts invested up to 17 July 2023 from the Youth and Small Entrepreneurs Self-Employment Program, the overdue principal, interest and fine amounting to NRs. 717 million 891 thousand issued in the name of 444 cooperative institutions have not been recovered. Attempts should be made to recover the overdue loans taking actions as per prevailing Laws.

The Interest Grant Directives, 2074 (2017) provides that amongst the borrowers taking loans, an interest grant may be provided to the borrower not paying the principal and interest as per recovery schedule. For the self-employed number 72 thousand 720 registered in the Secretariat of Youth and Small Entrepreneurs Fund, total budget NRs. 210 million 916 thousand has been received for the interest grants from the date of establishment of the Fund up to now, and NRs. 157 million 990 thousand (74.91 percent) has been distributed to 15 thousand 86 self-employed borrowers. Since the most of borrowers have not paid installments regularly, the number borrowers receiving interest grants have also remained lesser.

71. Prime Minister Employment Program - The Prime Minister Employment Program has been implemented in the Federal, Provincial and Local Levels with an objective to make contribution in economic development through optimum use of available manpower by creating adequate opportunities of employment within the country and arrange social security by guaranteeing the minimum employment to all people. Though the program has been implemented with an objective to give employment to enlisted unemployed of minimum 100 days employment, however, the statement obtained from the Ministry of Labor, Employment and Social Security shows that only 48 days employment on an average have been achieved with the participation of 712 thousand 658 persons in the program by incurring total NRs. 18 billion 730.4 million expenditure since last 4 years till now.

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72. **Prison (Jail) Management -** In Prison Improvement Approach Paper- 2079 (2022), a goal is set to assure basic human rights to the prisoners by transforming the prisons into actual rehabilitation home (sudhar griha) within 5 years and rehabilitate and re-integrate them in society as responsible citizens after completion of the punishments. As per the statement obtained from Department of Prison Management, the total capacity of operational 74 prisons is about 16 thousand 607 prisoners, but total 28 thousand 125 prisoners has been kept is the prisons. Most prisons lack of space due to existence of more prisoners than the capacity. Hence, proper management should be done by increasing the capacity of prisons in accordance with the growth in number of the prisoners.

73. **Inter-Entity Coordination** - Rule 4 of Kathmandu Valley Development Authority Regulation, 2068 (2011) stipulates that the Authority shall, in implementing physical development plans/projects, have to act only after coordinating with the concerned entities of the Government of Nepal, local levels and other institutions. It is because of duplication in scope, function, duty and powers of the local levels and various corporations and Commission, Department of Roads, Water Supply, Electricity, Telecom etc., several problems have arisen in implementation level. In the places where the construction works are completed by one agency, the construction works are initiated by another agency and the construction works are done by various agencies without establishing coordination with each other, which has raised questions in sustainability of the construction works and usefulness of expenditures and difficulty has arisen in travelling of common people. The Authority should play coordinating role establishing coordination with the concerned agencies.

74. **Budget Provision and Liability** - Rule 21(3) of the Financial Procedures and Fiscal Accountability Regulation, 2077 (2019) provisions that while proposing the budget for the next fiscal year, each central authority shall, after allocating the budget for the obligations to be undertaken, make a budget proposal for other programs. In Department of Roads and entities thereunder have NRs. 177.2 million liabilities as per decisions of courts and adjudicators, NRs. 303 billion liabilities created under the contracts management, and NRs. 3.72 billion outstanding payments up to 17 July 2023. Out the liabilities, the resources have been managed only for NRs. 1.71 billion, but payments of the liabilities have not been done up to this year. Since the budgets have not been allocated as per liabilities created from procurement arrangements of past years, total liability amount has risen due to uncertainty of additional resources and the implementation of plans has been affected due to lack of budgets. The Ministry should, only after separating budgets for the created liabilities, appropriate budget in other programs.

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75. Joint and Multi-storey Housing - As per the Act Made to Provide for the Ownership of Joint Housing, 2054 (1997) and Regulation, 2060 (2003) and Joint Housing Building Construction Approving and Monitoring Procedures, 2070 (2013), the Department of Urban Development and Building Construction has responsibility for the development of joint housing companies (that conduct commercial transactions of joint housing) and land development and giving approval and conducting monitoring of the construction works and issuing work completion certificates by examining the proposals submitted for the permissions of joint housing construction. As per the statement provided by the Department, out of the approvals given for the construction of 7 thousand 102 housing units in 77 apartments up to 17 July 2023, only 3 thousand 866 units have been completed up to this year. The 3 thousand 81 housing units of 38 apartments that have taken approval for the construction of housing during the period B.S 2062 (14/04/2005) to 2069 (13/04/2013) have not obtained the work completion certificates.

76. Construction of Conference Hall - As per statement obtained from Department of Urban and Building Construction, pursuant to the Department's plan to construct 44 conference halls in seven provinces, the construction works of 17 conference halls are already completed, the construction works of 14 halls are ongoing, and the preliminary works of land acquisition, preparation of detailed project report of 13 conference halls are ongoing. Out of the 44 conference halls, the procurement contracts of NRs. 20 billion 644.7 million have been made against total cost estimate of NRs. 26 billion 342.4 million for the construction of 31 conference halls, and NRs. 15 billion 51.9 million has been spent up to this year. In a state of total liability of NRs. 5 billion 206.6 million is created for completing the under-construction conference halls, without making arrangement of budgets for the same, the detailed project reports have been prepared for the construction of 13 new conference halls, which are under procurement processes. The processes of construction of new conference halls should be commenced only after provisioning necessary budgets.

77. Banchare Danda Sanitary Landfill Site - For the sustainable management of solid wastes generated in Kathmandu Valley, the construction works of sanitary landfill site - consisting of 20 thousand cubic meter capacity leachate pond and sedimentation pond having capacity to accommodate the mixed wastes for 20 years or segregated wastes for 40 years, have been completed at the cost of NRs. 963 million 539 thousand, and the works of upgrading access road are ongoing. For the proper management of the landfill site, the Department of Urban Development and Building Construction has prepared and approved the Operational Procedures Related to Landfill Site. In the Operational Procedures,

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various provisions are provided, which include - taking weight and keeping records of the solid wastes brought for disposing off, checking whether the risky radiation wastes exist in wastes brought, unloading the wastes only in certain specified areas, doing compaction by spreading the waste in 50 centimeters thickness, toping the wastes with 15 cm thick soil daily in order to prevent the bad smell from spreading, adding vent pipes for the discharge of gasses generated from piling up of wastes etc. Stating that the standards are not met, the Department has drawn attention to the Kathmandu Metropolitan and has written a letter for taking responsibility of the repair maintenance and management works. It appears the landfill site is going to become full, because of non-segregation of wastes at source, non-compaction of wastes and non-circulation of leachates. By establishing coordination with affected local levels and controlling entities and stakeholder parties, a machinery need to be established for conducting regular monitoring of the provisions mentioned in Landfill Site Operating Manual, and the solid wastes should be scientifically managed by ensuring timely repairs and maintenance.

78. Implementation of Smart City Project - The Government of Nepal has approved Smart City Approach on 08/05/2018 for the management of settlement of Kathmandu Valley. In the state of the work performances of Outer Ring Road are not yet identified, the goal of developing 4 smart city projects has been commenced covering majority of same land areas of - 1 lac ropanies in North-East Kathmandu, 10 thousand ropanies in Northern Kathmandu, and 10 thousand ropanies each in Lalitpur and Bhaktapur. Total NRs. 162.6 million has been spent in the preparation of Detailed Project Report of the Smart City, but none of projects have been put in implementation. Since the time and cost will rise if the project is not implemented for many years, the implementation process of the project needs to be taken ahead.

79. Construction of Outer Rind-Road - Though the approach was developed in 2058 (2001) with an objective to bring easiness in people's life by constructing 72 km long Outer Ring-Road through the development of planned new organized towns in 3 districts of Kathmandu Valley based on systematized land pooling, but only the work of feasibility study has been completed despite of elapse of 22 years. The Outer Ring-Road Development Project operating under the Kathmandu Valley Development Authority has spent NRs. 148 million 457 thousand for this purpose.

80. National Highway - As per decision taken by the Government of Nepal on 27/05/2013, total 21 highways and 209 sub-highways are kept under the responsibility of the Ministry of Physical Infrastructure and Transportation. In order to give preference in programs provided in list of powers as per the

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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 made by the Government of Nepal (Council of Ministers) on 2/05/2019. The Department of Roads and entities thereunder have spent NRs. 23 billion 55.4 million by approving programs of local roads/ bridges, election sector strategic roads, alternative sub-highways that are not included in approved national highways. By making work scope clear, the practice of implementing projects beyond the national highway should be abandoned.

81. **Uncompleted Contract** - Section 59 and 63 of the Public Procurement Act, 2063 (2007) have made various arrangements relating to obtaining advance guarantees, charging pre-determined liquidated damages, termination of contracts, black-listing of the contractors etc., in cases if any work is left in middle period without completing the works as per contract or any progress has not been achieved as per contract. However, time extensions have been awarded time to time up to 300 times of original contract period despite of arrangements made to complete works within specified period. Out of the 204 procurement contracts amounted to NRs. 12 billion 250.2 million arranged by 27 Divisional and Project Offices operating under Department of Roads, only 20.71 percent progresses have been achieved with the payment of NRs. 2 billion 536.4 million in 115 contracts, resulting incomplete of works despite of the time extensions granted. The number of uncompleted contracts has been increasing every year due to non-commencement of works by the construction entrepreneurs as per contracts, 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.

82. **Direct Procurement** - Section 8 (2) of Public Procurement Act, 2063 (2007) provides that procurement shall not be made by slicing a cost estimate into many pieces so as to limit competition. Any public entity may procure any goods or construction works, the cost estimate of which does not exceed two million rupees, by inviting sealed quotations. As against the provisions, 25 entities functioning under the Ministries - Energy, Water Resources and Irrigation, Urban Development and Health, have procured goods and infrastructural works at NRs. 369 million 125 thousand by slicing cost estimates into many pieces. Procurements should be done making competition complying with the procurement Act.

83. **Pre-determined Liquidated Damage** - Rule 121 of the Public Procurement Rules, 2064 (2007) and Procurement contracts provision 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,

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shall have to be recovered. In accordance with the provision, the entities functioning under the Ministries - Water Resources and Irrigation, Urban Development, Health & Population, Defense, and Physical Infrastructure & Transportation, have not recovered pre-determined liquidated damage amounting to NRs. 666.5 million. The amounts should be recovered.

84. **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. The audit has observed that the entities functioning under the Ministries - Energy, Water Resources and Irrigation, Urban Development, Water Supply, Education, Science & Technology, Culture, Tourism & Civil Aviation, Health & Population and Physical Infrastructure & Transportation, have provided NRs. 632 million as price adjustments by varying with the indicators, factors and formulas mentioned in the procurement contracts. The amounts should be recovered.

85. **Consulting Expenses** - Section 29 of Public Procurement Act, 2063 (2007) stipulates that a consultancy service may be procured only in the state where any work can not be performed through the departmental manpower. Various offices and projects functioning under the Ministries - Water Supply, Urban Development, and Physical Infrastructure & Transportation, have procured consultancy services of NRs. 127 million 909 thousand for carrying out the works of feasibility studies, designs, preparing master plans and construction supervision by inviting proposals from the standing lists. It is not appropriate to increase dependency upon the consultants without doing proper management of the departmental manpower. The reliance on consultants needs to be reduced by taking procurement services for very essential work only.

86. **Vehicle Driving License** - In accordance with the driving license arrangements specified in Chapter 4 of the Vehicle and Transportation Management Act, 2049 (1992), the Department of Transport Management has been carrying out the works related to printing, distributing, and data storing of driving licenses. The Department has entered a procurement contract of US Dollar 1 million 498 thousand with one foreign company on 22/02/2023 with the terms of supplying 1.2 million smart cards within 3/09/2023. It is because inability to supply the cards within the contract period, the time extension of 172 days has been granted extending time twice. Based on demand of driving licenses, the printing of 1.46

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million cards are required up to this year, but only 1.2 million will be made available as per the agreement, which has caused a deficit of 260 thousand cards. Since the Department is now distributing cards only to the very essential person including the person going abroad, the printing works of new and renewed driving licenses have not been done from 2022 July onwards. The service delivery has been affected due to non-supply of smart cards as per number of requirements.

87. **Follow up of Irregularity of Federal Offices** - Section 2d of the Audit Act, 2075 (2019) mentions that the word "Audit" denotes the work of carrying out follow up of audits. Similarly, Section 40(4) of the Financial Procedures & Fiscal Accountability Act, 2076 (2019) provides that the Auditor General shall have to give acknowledgements within 7 days in case where any irregularity is regularized by the Chief Accountability Officer, and Section 41(3) of the same Act provides that the Auditor shall give acknowledgements to the Public Accounts Committee and the concerned Chief Accountability Officer by clearing the irregularity record within the 30 days in case where any irregularity is settled with the approval from the House of Representatives as per the reports of the Public Accounts Committee. Since the work of carrying out the audit follow-up has been withheld in accordance with the direction of the Public Accounts Committee issued on 2022/07/01, the subject matter needs to be shorted out by holding discussion with the Public Accounts Committee and the provisions made in above mentioned laws should also be made consistent.

Provincial Ministry and Entity

88. **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, 2022/23 obtained from Provincial Treasury Comptroller Offices, the Provinces have collected total receipt of NRs. 260 billion 104 million 588 thousand inclusive of last year's balance NRs. 84 billion 875 million 721 thousand and incurred expenditure of NRs. 204 billion 669 million 626 thousand (78.69 percent) and retained NRs. 55 billion 434 million 962 thousand as balances. Out of the total expenditure NRs. 204 billion 669 million 626 thousand, the expenditure incurred by Koshi Province is NRs. 30 billion 757 million 782 thousand, Madhesh Pradesh is NRs. 26 billion 869 million 870 thousand, Bagmati Province is NRs. 46 billion 861 million 968 thousand, Gandaki Province is NRs. 23 billion 614 million 883 thousand, Lumbini Province is NRs. 30 billion 244 million 155 thousand, Karnali

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Province is NRs. 22 billion 257 million 873 thousand, and Sudurpachhim Province is NRs. 24 billion 63 million 95 thousand.

89. **Divisible Fund** - Inter-Governmental Fiscal Management Act, 2074 (2019) 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. 560 million 585 thousand, inclusive of NRs. 109 million 494 thousand of the Koshi Province and NRs. 451 million 91 thousand of the Bagmati Province has not been divided as per the provision of the Act. The outstanding amount should be divided as per provision of the Act.

90. **Auditing** - This year, total audits of NRs. 322 billion 973 million 160 thousand including NRs. 322 billion 851 million 280 thousand of 1 thousand 269 offices under 7 provinces and NRs. 121 million 880 thousand audit backlogs of 2 offices have been completed. Likewise, the audits of 36 billion 97 million 710 thousand of 118 other institutions/committees functioning under the Provinces including the audit backlogs have been completed. Nine entities under Koshi Province and three entities under Sudurpachhim Province have remained as audit backlogs.

91. **Fiscal Transfer** - As per the Inter-Governmental Fiscal Management Act, 2074 (2019), the status of fiscal transfer and revenue division provided by the Government of Nepal is as follows:

(NRs. in Thousand)

Particulars	Koshi	Madhesh	Bagmati	Gandaki	Lumbini	Karnali	Sudurpachhim	Total
Fiscal Equalization Grant	7,879,394	6,838,825	6,750,734	7,927,900	7,473,987	7592,696	7,881,563	52,345,099
Conditional Grant	5,492,209	7,039,515	5,389,193	3,455,306	5,353,463	3,402,237	4,895,348	35,027,271
Complementary Grant	556,077	585,001	418,169	478,752	380,833	325,965	765,000	3,509,797
Special Grant	332,690	367,594	408,589	635,849	239,038	403,093	797,800	3,184,653
Total	14,260,370	14,830,935	12,966,685	12,497,807	13,447,321	11,723,991	14,339,711	94,066,820
Revenue Division	9,150,396	8,560,578	10,242,779	6,993,817	22,533,861	6,518,779	7,703,900	67,704,110
Grand Total	**23,410,766**	**23,391,513**	**23,209,464**	**19,491,624**	**35,981,182**	**18,242,770**	**22,043,611**	**161,770,930**

The Reports related to the Provincial Governments with the analysis of the status of overall audits and their performances have been made public at provincial level.

As per the Consolidated Financial Statement submitted by the Financial Comptroller General Office, the total amount disbursed as the fiscal equalization, conditional, complementary and special grants to 7 provinces by the Government of Nepal is shown as NRs. 99.66 billion, but the total received amount has been stated as NRs. 94.06 billion in the consolidated financial statements prepared by

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7 Provincial Treasury Accounts Comptroller Offices, hence the causes of difference of NRs. 5 billion 60 million need to be identified and verified.

92. Revenue Estimate and Collection - As compared to the estimation of generating the total revenues NRs. 128 billion 529 million 829 thousand from the tax revenue, non-tax revenue, revenue division and recovery of irregularity in the Budget Speeches 2022/23 of all seven Provincial Governments, total NRs. 94 billion 434 million 683 thousand (73.47 percent of estimate) has been collected. The revenue bases and sectorial recoveries of the Provincial Governments have been observed low in comparison to their revenue estimations. The status of Province-wise estimated revenues and revenues collection are as follows:

(NRs. in Thousand)

Province	Estimated Revenue	Revenue Collection (Except Grants)	Collection Percent
Koshi	16,866,940	12,966,736	76.88
Madhesh	16,144,559	13,670,176	84.67
Bagmati	34,250,541	27,397,500	79.99
Gandaki	14,655,800	9,877,435	67.40
Lumbini	20,159,300	14,050,708	69.70
Karnali	9,662,434	7,090,390	73.38
Sudurpachhim	16,790,255	9,381,738	55.88
Total	**128,529,829**	**94,434,683**	**73.47**

Since the revenue collections of the Provinces are not in accordance with the revenue estimation, the internal source mobilization capacities of the Provinces need to be enhanced along with the expansion of the revenue bases.

93. 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 in accordance with the provisions, the status of budget and expenditure of 2022/23 as approved by seven Provincial Assemblies are as follows:

(NRs. in Thousand)

Province	Annual Budget	Recurrent Expenditure	Capital Expenditure	Other Expenditure	Total Expenditure	Expenditure Percent
Koshi	39,927,544	12,645,233	18,112,549	0	30,757,782	77.03
Madhesh	47,025,052	10,670,339	16,199,531	0	26,869,870	57.14
Bagmati	70,939,291	17,982,402	28,279,568	600,000	46,861,968	66.06
Gandaki	35,909,000	8,353,522	15,261,361	0	23,614,883	65.76
Lumbini	42,789,442	12,507,587	17,736,569	0	30,244,155	70.68
Karnali	32,616,164	9,481,325	12,776,548	0	22,257,873	68.24
Sudurpachhim	36,833,864	8,248,579	15,814,516	0	24,063,095	65.33
Total	**306,040,357**	**79,888,987**	**124,180,642**	**600,000**	**204,669,626**	**66.88**

The average expenditures of the Provinces have remained 66.88 percent of their budgets, out of which the Koshi Province has the highest of 77.03 percent

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and the Madhesh Province has the lowest of 57.14 percent. The expenditures have appeared low due to lack of implementable programs and clear basis of incurring expenditures, and hence, improvements are needed in budget implementation capabilities.

94. **Virement** - The Financial Procedure Acts of Provinces stipulate that the power to make virement of 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 oversees the fiscal affairs. Out of this year's total initial budget NRs. 306 billion 40 million 357 thousand appropriated in 7 provinces, NRs. 64 billion 726 million 243 thousand has been transferred through the virement. Out of the virement, the virement done in the Ashadh-end 2080 (17/07/2023) by the Koshi Province is NRs. 2 billion 615 million 181 thousand, Madhesh Province is NRs. 536 million 162 thousand, Bagmati Province is NRs. 3 billion 169 million 667 thousand, Gandaki Province is NRs. 2 billion 42 million 285 thousand, Lumbini Province is NRs. 2 billion 369.3 million, Karnali Province is NRs. 329 million 111 thousand and Sudurpachhim Province is NRs. 2 billion 521 million 217 thousand. The act of incurring expenditures by making virement of budgets at the year-end need to be controlled.

95. **Internal Source Mobilization of Provinces** - Out of the total expenditure NRs. 204 billion 669 million 626 thousand of the Provincial Governments of 2022/23, NRs. 112 billion 603 million 301 thousand has been spent from the internal sources. The status of province-wise expenditure is as follows:

(NRs. in Millions)

Province	Total Expenditure	Expenditure from Provincial Source	Expenditure Percent
Koshi	3,075,778.2	1,647,941.2	53.58
Madhesh	2,686,987.0	1,602,255.7	59.63
Bagmati	4,686,196.8	3,006,869.9	64.16
Gandaki	2,361,488.3	1,332,017.5	56.41
Lumbini	3,024,415.5	1,679,683.3	55.54
Karnali	2,225,787.3	1,053,388.7	47.33
Sudurpachhim	2,406,309.5	938,173.8	38.99
Total	**20,466,962.6**	**11,260,330.1**	**53.66**

Out of the total expenditures incurred by the Provincial Governments in this year, the expenditures incurred from their internal source have stood 53.66 percent on an average and remaining expenditures are borne from the Federal Government's Source. Amongst the provinces mobilizing the internal sources, the lowest of 38.99 percent has appeared in Sudurpachhim Province and the highest of 64.16 percent has appeared in Bagmati Province. The internal source mobilization capabilities of the provinces should be made effective.

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96. **This Year's Irregularity** - The status of audited amounts and irregularity amounts of the Government Offices, Other Institutions and Committees of 2021/22 functioning under the Provincial Governments are as follows:

(NRs. in Millions)

Province	No. of Audited Offices	Audited Amount	Total Irregularity Amount	Irregularity Amount Excluding Advances	Irregularity Percent	Irregularity Percent Excluding Advances
Koshi	198	52,787.1	1317.6	1,241.2	2.5	2.35
Madhesh	149	47,944.7	1,854.2	1,405.7	3.87	2.93
Bagmati	220	84,228.2	964.9	779.6	1.15	0.93
Gandaki	215	41,175.5	801.7	677.6	1.95	1.65
Lumbini	289	57,915.9	1,126.3	944.2	1.95	1.63
Karnali	155	37,336.9	967.8	701.5	2.59	1.88
Sudurpachhim	161	39,439.9	376.4	231.4	0.95	0.59
Total	**1,387**	**360,828.2**	**7,408.9**	**5,981.2**	**2.05**	**1.66**

As per above table, the highest irregularity rate of 3.87 percent has appeared in Madhesh Province and the lowest of 0.95 percent has appeared in Sudurpachhim Province.

97. **Cumulative Irregularity** - Out of the total outstanding irregularity NRs. 27 billion 9 million 518 thousand of the Provincial Government Offices, Other Institutions and Committees existed up to last year, NRs. 2 billion 967 million 1 thousand is cleared through the follow up audits and NRs. 58 million 67 thousand is added with the adjustments, and NRs. 24 billion 100 million 584 thousand has remained as balance. After the addition of this year's irregularity NRs. 7 billion 408 million 936 thousand in the amount, the cumulative outstanding irregularity has reached NRs. 31 billion 509 million 520 thousand up to this year. The province-wise statement is as provided below:

(NRs. in Millions)

Province	Outstanding up to Last Year	Adjustment	Settled in Follow-up Audit	Balance	Addition of This Year	Balance up to Sixth Report	Advances out of Outstanding Irregularity
Koshi	496,339.4	-	70,059.7	426,279.7	131,761.0	558,040.7	83,379.6
Madhesh	676,188.9	33.8	30,561.1	645,661.6	185,424.2	831,085.8	269,165.0
Bagmati	335,025.0	-	3,460.3	331,564.7	96,491.4	428,056.1	99,475.2
Gandaki	214,447.0	3,737.0	29,798.0	188,386.0	80,168.2	268,554.2	73,372.9
Lumbini	305,817.5	18.8	16,373.9	289,462.4	112,634.5	402,096.9	177,738.5
Karnali	433,938.0	2,017.1	137,904.9	298,050.2	96,775.2	394,825.4	79,182.0
Sudurpachhim	239,196.0	-	8,542.2	230,653.8	37,639.1	268,292.9	57,304.5
Total	**2700,951.8**	**5,806.7**	**296,700.1**	**2410,058.4**	**740,893.6**	**3150,952.0**	**839,617.7**

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The Reports related to the Provincial Governments along with the analysis of status of overall audits and their performances have been availed publicly at every provincial level.

Local Level

98. Overall Income and Expenditure - As per the Consolidated Annual Financial Statement prepared by the Financial Comptroller General Office, the 753 Local Levels have generated total income NRs. 532 billion 462.1 million in this year, including the fiscal transfer grants NRs. 319 billion 232.8 million received from the Federation and Provinces, revenue division amount NRs. 83 billion 51.5 million received from the Federal and Provincial Government, internal income NRs. 27 billion 852 million and last year's balance NRs. 102 billion 325.8 million. Out of the incomes, they have spent NRs. 453 billion 817.7 million and retained NRs. 78 billion 644.4 million as surplus amount. Audit observations relating to this are as follows:

98.1 In the Income-Expenditure Statement submitted by the Financial Comptroller General Office, the authorization and disbursements given NRs. 121 billion 360.7 million to the Local Levels by allocating budgets in the Federal Ministries/Entities, the authorization and disbursement given NRs. 1 billion 163.5 million to the Local Levels by allocating in the provincial ministries (except Sudurpachhim Province), and the overall income expenditure amounts Funds and Other Accounts of the Local Levels are not included. The consolidated Income-Expenditure should be prepared by including all types of transactions.

98.2 Out of the total income NRs 671 billion 941.2 million of the audited 746 local levels in this year, NRs. 577 billion 800.4 million (85.99 percent) is spent. Of the total expenditure, NRs. 299 billion 506.3 million (51.83 percent) is spent as recurrent expenditure, NRs. 170 billion 731 million (29.55 percent) is spent as capital expenditure and NRs. 107 billion 562.9 million (18.62 percent) is spent as financing arrangement/others. The audited 746 local levels have generated NRs. 225 billion 502.6 million from their internal sources in this year, which includes - total internal revenue NRs. 33 billion 672.7 million, revenue sharing NRs. 79 billion 130.6 million received from the Federation and Provinces and previous year's balance NRs. 112 billion 699.6 million.

99. Less balance brought down- In preparing the integrated annual report of the receipts and payments, the local levels need to brought-forward the previous year's closing balance as the opening balance and give clarifications if any difference is found in such transferred balances. Since 184 local levels have

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brought-forward short balances of NRs. 2 billion 155 million 352 thousand, the reasons should be ascertained.

100. **Bank Reconciliation** - The Local levels are required to prepare the bank reconciliation statements as per the A.G. Form no. 212 format approved by the Auditor General reconciling their books of account with bank accounts monthly basis, however, 90 local levels have not prepared such statements in this year. In the local levels, the bank balances have been shown short by NRs. 3 billion 900 million 374 thousand than the books of account. The reasons need to be identified.

101. **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, 291 local levels have approved their budgets and programs keeping NRs. 7 billion 442 million 398 thousand as unallocated budget. Since the unallocated budgets are spent in petty projects and programs on ad hoc basis as per decisions of the Executives and such acts also lack fiscal discipline, the practices of incurring expenditures by retaining unallocated budget should be controlled.

102. **Virement**- Section 69 of the Local Government Operations Act, 2074 (2017), mentions that any virement may be done in capital heading not exceeding 25 percent. However, 79 local levels have done virement of NRs. 3 billion 302 million 482 thousand against the provision of the Act.

103. **Grants** - As per the financial statement obtained 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					
2018/19	85,287.9	125,342.7	2,277.0	3857.3	216,764.9
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
Received from Provincial Governments					
2018/19	4,420.1	7,994.3	944.7	1,862.3	15,221.4
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

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Fiscal Year	Equalization Grant	Conditional Grant	Special Grant	Complementary Grant	Total
2022/23	7,309.5	10,887.8	2,482.3	5,714.7	26,394.3

As per above table data, the share of conditional grants in comparison to equalization grants received by the local levels from the Federal and Provincial Governments have been increasing every year.

Out of the grants received from the Federal Government in this year, the Local Levels have outstanding balances of total NRs. 1 billion 820 million 464 thousand to be refunded in the Federal Consolidated Fund, which includes unspent balances NRs. 1 billion 254 million 454 thousand of 102 local levels, expenditures incurred against the conditions NRs. 408 million 526 thousand by 90 local levels and inadequate share of partnership expenditure NRs. 157 million 484 thousand of 57 local levels.

Out of the grants received from the Provincial Governments in this year, the local levels have outstanding balances of total NRs. 361 million 984 thousand to be refunded in the Provincial Consolidated Fund, which includes unspent balances NRs. 140 million 553 thousand of 43 local levels, expenditures incurred against the conditions NRs. 98 million 432 thousand by 49 local levels and inadequate share of partnership expenditure NRs. 122 million 999 thousand of 50 local levels.

104. **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 fiscal powers and recovering the amount of arrears with regards to the revenue contract. In this year, 82 local levels have outstanding revenue arrears of NRs. 720 million 373 thousand, which needs to be recovered by ascertaining the actual amounts.

105. **Inter-relation with Provinces** - Section 105 of the Local Government Operations Act, 2074 (2017) provides that a Provincial Coordination Council shall prevail to maintain policy coordination in inter-related subjects including - the policy consistency in works to be performed by the provinces and local levels, strategic partnership in plan management, use of common power areas, use and sharing of natural resources etc. However, the audits have witnessed observations, such as - the Provincial Governments have implemented those small plans/projects which are required to be handed over to the local levels, the province level offices are established for the works to be performed by local levels, the local level have not sent all amounts which need to be provided by making revenue division etc. In order to bring effectiveness in the works to be performed as specified in common powers list and maintain balance in development works, proper coordination between the Provincial Governments

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and Local Levels should be established through regular meetings and decisions of Provincial Coordination Council in order to ease in their performance.

106. **Internal Audit** - Section 77 of the Local Government Operations Act, 2074 (2017) provides each local level is required to complete the internal audits of its financial transactions. However, 307 Local Levels have not completed internal audits in this year. The audit needs to be properly managed.

107. **Management of Public Assets** - Rule 99 of the Financial Procedures and Fiscal Accountability Regulation, 2077 (2019) provisions that each office is required to prepare report by completing inventory inspection. However, 250 Local Levels have not completed inventory inspection in this year. Similarly, the circular of 22/11/2020 of the Financial Comptroller General Office has mentioned that all offices are required to implement the Public Assets Management System (PAMS) mandatorily within 22/12/2020. However, total 139 Local Levels have not yet used the system up to this year.

108. **Official Facilities** - The Acts related to Local Level Officials and Members' Facilities issued by the Provincial Assemblies have provisioned that the local level officials and members of the Assembly shall get monthly facilities as specified. In this year, without provisioning in laws, 7 local levels have distributed NRs. 1 million 266 thousand in festival expenses and 17 local levels have provided uniform facilities of NRs. 1 million 105 thousand. Likewise, differing with the provisions specified in laws, 99 local levels have provided NRs. 34 million 229 thousand transportation expenses, 96 local levels have paid meeting allowances NRs. 24 million 958 thousand, 127 local levels have provided NRs. 59 million 872 thousand as travelling and monitoring expenses, and 116 local levels have spent NRs. 63 million 896 thousand in fuel, mobile, vehicle, guest entertainment expenses. Altogether, NRs. 185 million has been paid in excess.

109. **Private Secretary and Adviser Expenses** - The Acts related to Local Level Officials and Members' Facilities issued by the Provincial Assemblies have not provisioned about granting remunerations with the appointment of private secretaries and advisers. The circular dated 9/03/2021 of Ministry of Federal Affairs and General Administration has specified that such expenses are to be incurred preparing standards, however, the local levels have not prepared such standards in accordance with the circular. In this year, 171 local levels have spent remuneration expenses NRs. 91 million 502 thousand by appointing such private secretaries and advisers.

110. **Payment of Price Adjustment** - Section 55(1) of Public Procurement Act, 2063 (2007) stipulates that except otherwise mentioned in the procurement contracts, a

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competent officer shall, if considers necessary, give price adjustment in course of implementation of the procurement contract the period of which is more than 12 months. In this year, 66 local levels have given the payment of NRs. 146 million 394 thousand as price adjustments as against the provisions of the procurement contracts.

111. **Direct Purchase** - Section 8 of the Public Procurement Act, 2063 (2007) provides that the procurements shall have to be done without limiting the competition, Rule 85 of the Public Procurement Rules, 2064 (2007) provides that direct purchase can be done up to NRs. 1 million, and Rule 84 provides that the procurements works exceeding NRs. 1 million can be done through sealed quotation and the procurements exceeding NRs. 2 million shall have to be done through tender-bidding. In this year, 625 local levels have, without making competition, spent NRs. 7 billion 225 million 642 thousand in making direct purchase of various construction works, procurement of medicines, consulting works, and goods and services.

112. **Consultancy Service** - Section 29 of Public Procurement Act, 2063 (2007) provisions that a consultancy service may be taken if any work can not be done through the manpower available in the concerned public entities. In this year, 312 local levels have spent NRs. 1 billion 61 million 519 thousand for conducting feasibility studies, and preparing detailed project reports and master plans from the outside consultants and procuring other consulting services. Records have not been maintained obtaining reports relating to these, and majority of the study reports so received have not been implemented.

113. **Procurement and Maintenance of Vehicles** - In this year, the local levels have procured vehicles of total value NRs. 3 billion 874 million 358 thousand - including 4 wheeled vehicles (car/jeep) procured by 75 local levels at NRs. 3 billion 667 million 129 thousand and 2 wheeled vehicles (bike/scooter) procured by 130 local level at NRs. 207 million 238 thousand. In addition, 264 local levels have spent NRs. 736 million 709 thousand in repair & maintenance of vehicles and 327 local levels have spent NRs. 1 billion 566 million 908 thousand in fuel, and thus, total NRs. 2 billion 303 million 617 thousand has been spent for this purpose.

114. **Financial Assistance** - The Local Government Operations Act, 2074 (2017) provisions that any financial assistances, donations, rewards and institutional grants can not be distributed from the money of the local level. In this year, 523 local levels have distributed the financial assistances of NRs. 1 billion 158 million 824 thousand to various persons and institutions. Out of the amount, 294 local levels have distributed the financial assistances of NRs. 634 million 162 thousand without preparing the assistance distribution procedures.

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115. Audit and Irregularity - In this year, the audits of NRs. 1 trillion 137 billion 41.9 million of 746 local levels have been completed. Out of total irregularity NRs. 35 billion 666.3 million witnessed by the audits, NRs. 4 billion 830.9 million has been settled after issuance of preliminary reports and irregularity NRs. 30 billion 835.3 million has remained outstanding to be settled. Of the outstanding irregularity, NRs. 4 billion 91.8 million has appeared as 'to be recovered', NRs. 23 billion 928.8 million has appeared as 'to be regularized' and NRs. 2 billion 814.8 million has appeared as 'overdue advance'. Likewise, the irregularity of NRs. 179.8 million has appeared in carrying out the audits of audit backlog NRs. 2 billion 149.5 million of 2 local levels of 2020/21 and 2021/22.

Performance and Special Audit

Major observations witnessed from this year's performance audits of 9 subjects, environmental audit of 2 subjects, and IT audit of 1 subject are provided below:

- **Performance Audit**

116. Implementation Status of Rastrapati Women Empowerment Project - Major audit observations witnessed from the performance audit of the Rastrapati Women Empowerment Project, are - the project has been implemented without preparing and approving the approach paper, detailed study report; progresses have not been achieved as per predetermined targets; the project has been implemented incurring budget expenditures through the ministry-level structure, provincial and local level instead of creating a clear work direction, implementation machinery and separate budget and program; integrated records are not maintained; the monitoring and evaluation are found less effective etc.

117. Implementation Status of Sunsari-Morang Irrigation Project - Major audit observations noticed include - adequate branches and sub-branches canals have not prevailed to provide irrigation facilities in total areas of the project; maintenance expenditure of dredger machines is rising; an alternative to the replacement of old machines needs to be sought as the working capacity of the machines has been decreasing; compared to the discharge capacity 60 cumecs of Intake, the discharge of only 46.58 percent on average have been found from Mansir to Jestha Month; and outstanding dues of irrigation service fees to be recovered etc.

118. Performance Status of North-South Highway (Kaligandaki Corridor) Project - Major audit observations witnessed from the performance audit of this project are - detailed project report is prepared in partially only; project is implemented without completing the pre-construction works; budgets are not allocated as per demands and needs; expenditures are not fully incurred as per budget appropriation; delays have occurred in the construction works despite of

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time extension granted time to time; the fulfillment of position are not done as per approved position; employees are transferred, entity-wise coordination has not become effective; low progress is achieved etc.

119. **Implementation Status of Health Insurance Program** - The audit has witnessed observations, such as - the scope to health insurance has not extended; the family rate making renews needs to be increased by promoting awareness of insurance; large share of reimbursements of the insurance claims are depending upon the grants; the payment of claims are not done on time due to limited manpower and work-loads; the claims received from the service recipients are cancelled in substantial number due to produce of insufficient evidences; enlisted services are not updated in facility basket; the first service-point has not expanded in all local levels etc.

120. **Service Delivery Status of Laborers Going for Foreign Employment** - Major audit observations witnessed from the performance audit of this subject are - the labor agreements have been entered with limited countries only; the numbers of skilled workers have remained low; diplomatic missions and labor attaché have not been established in all countries that have labor destination; missions lack physical infrastructures; the numbers of employees' approved positions, budgets and vehicles have prevailed less compared to work-loads; safe homes have not been established/ operated in labor destination countries; complains and grievances are not settled on time; the Government is not able to transfer the imprisoned laborers in Nepal; the orientations, training given prior to going foreign employment is found less effective; reviews are not done in the moneys of financial assistances; the payment of compensations to deaths are not provided to heirs on time; necessary supports have not been obtained coordinating with the Non-residents and Immigrants Nepalese Associations/ Organizations etc.

121. **Tarai-Madhesh Prosperity Program** - Major audit observations witnessed from the performance audit of this program are - the identification of needs, and detailed studies are not done prior to the implementation of the program; the programs that promote income generation have been implemented in less number; the human development index and overall poverty rates and density are not fully considered in implementing programs; work performance indicators have not been identified; specified procedures are not fully complied in constructing houses; the basis of project demand and approval have not been determined; multi-year project has been implemented without management of budgets; risks of becoming duplication in program have prevailed; and stakeholder’s participation in costs have not been found in specified manner etc.

122. **Prisons' Infrastructure Management** - Major audit observations witnessed from the performance audit of the Prisons' Infrastructure Management include -

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the provision of the Constitution operating the prisons from the Federal and Provincial Governments has not been implemented; establishment of special prisons as provisioned in Act and the prisoners' management approaches, the like - open prison, community service, sending in payroll have not been implemented; inter-entity coordination is not established and necessary standards and procedures are not prepared for the construction of prisons houses; prisons lack physical infrastructures and some of the constructed infrastructures have not brought in use; the facilities, such as - education, health, entertainment, sports, exercise, family meeting rooms, reproduction rights, income earnings and skill development to be provided to prisoners have been impacted etc.

123. **Implementation Status of Special Building Construction Project** - Major audit observations witnessed from the performance audit of this project include - the selection and prioritization of projects have not become fair; the environmental study report is not approved on time; time extensions have been granted time to time due to lack of readiness of construction site, changes in design, dispute with local, shortage of construction materials etc.; the construction entrepreneurs have not mobilized manpower and resources adequately; variation orders have been issued to the basic activities which are required to be included in initial estimates; specified processes have not been completed in handovers of buildings; unclear provision related to the customs rebate in contract agreements has created disputes and the matter has reached in court after arbitration process etc.

124. **Status of Nepal's Food Security** - Major observations witnessed from the performance audit of this subject include - an analysis has not been done from the view point of fooding and nutrition in spite of growth in production and productivity of main food crops; the investment of the state has remained less in proportion of dependency in agriculture; improved and climate favorable research and technology have not been developed; the imports of food grain have been continued in spite of surplus of food grains shown in the Ministry's reports; food storages are not kept for the emergency and disaster circumstances; statistics displaying the main crops producing areas, investments and interrelation of food security are lacking; clear statistics related to imported food grains, foods, grains, or use in other purposes have not prevailed etc.

Environmental Audit

125. **Implementation Status of SENDAI Frameworks in Disaster Management** - Major findings witnessed from the environmental audit of this subject are - no goal has been set in the Strategic Action Plan Related to Road Infrastructures despite of prevalence of the highest of number death from the road accidents amongst the deaths occurred from various types of disasters; no clear goals have

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been mentioned in the Strategic Action Plan about the situation of obstacles occurred in the basic services including education, health, public transportation etc. arisen from disasters and measures to mitigate them; In preparing Annual Reports and National Optional Mid-Term Reviews of the Strategic Action Plan and activities, the progress reports have not been prepared by disclosing clear progresses achieved under each priority etc.

126. **Health Service Related Waste Management** - Major findings witnessed from the environmental audit of this subject include - the records of wastes are not kept systematically; Waste Management Committee is not formed; Waste Management Plan is not prepared; the monitoring and evaluation of waste management system are not performed; training and capacity development programs are conducted in minimum number; occupational security and health related standards are not fully implemented; segregation and management of wastes have not ben done in proper manner etc.

Information Technology (IT) Audit

127. **Implementation Status of Nepal National Single-Window System** - Major findings witnessed from the IT audit of this system include - the confidentiality of information, cyber security, inter-operability and data exchange methods is not made clear; except little improvements, no significant improvement is noticed in 'Ease of Doing Business Index'; the work of Manpower Development Plan and doing Risk Analysis time to time has remained outstanding; the governance structures for operating the system and monitoring & evaluation have remained unclear or inactive; the situation of total dependency upon the system developers has existed for the solution of any common to complex problems encountered in the system etc.

Chapter - 4
Implementation Status of Audit Reports

1. **Audit Report -** In accordance with Article 241 of the Constitution of Nepal, the audit Reports of 5 thousand 605 entities have been issued by completing audits of all Federal and Provincial Government Offices, Local Levels and Other Institutions specified by laws as per prescribed methods with due consideration to the matters the regularity, economy, efficiency, effectiveness and propriety thereof. Pursuant to total irregularities NRs. 127 billion 736.3 million observed in course of this year's audits, the irregularities amounting to NRs. 32 billion 134.2 million have been settled within 35 days after the issuance of preliminary audit reports of 2022/23 and audit backlogs in accordance with Section 37 of the Financial Procedures & Fiscal Accountability Act, 2076 (2019), and thus, the irregularities amounting to NRs. 95 billion 602.1 million as mentioned below have remained outstanding to be settled:

(NRs. in Millions)

Particulars/ Entities	Preliminary Report		Settlement from Reply		This year's Outstanding to be settled	
	No. of Section	Amount	No. of Section	Amount	No. of Section	Amount
Federal Government Office	40,237	52,210.3	1,580	5,674.1	38,657	46,536.2
Provincial Government Office	20,385	7,178.5	854	609.6	19,531	6,568.9
Local Level	131,961	36,115.1	11,016	5,099.9	120,945	31,015.2
Other Institution/ Committee (including Provincial)	15,948	32,232.4	514	20,750.6	15,434	11,481.8
Total	**208,531**	**127,736.3**	**13,964**	**32,134.2**	**194,567**	**95,602.1**

Likewise, the performance audit of 9 subjects, environmental audit of 2 subjects, and IT audit of 1 subject have been completed as per selection, and the audit reports of the same have also been issued along with recommendations. Pursuant to the Public Enterprises, Committees and Other Institutions, the audits of 630 income years including the backlogs of 310 institutions have been completed, and the audit reports of the same have been issued. In this year, the audit backlogs of 12 offices - inclusive of 5 Federal Government Offices and 7 Local Levels have existed. Likewise, out of the past year's audit backlogs, the audits of 16 offices - including 12 Federal Government Offices, 2 Provincial Government Offices and 2 Local Levels have also been completed.

2. **Irregularity Record** - Section 38(1) of the Financial Procedures & Fiscal Accountability Act, 2076 (2019) provisions that the record of irregularity shall be maintained at each office level, and Section 38(2) mentions that the central

record of irregularity shall be maintained by each central level entity. In addition, Section 38(4) of the same Act provides that the records of irregularity along with updating of the settlements or clearance shall have to be produced before the audits for examination in subsequent years. The works of irregularity settlement and follow up audits have been impacted, as the responsible entities have not updated the irregularity records with actual description of irregularities. The works of updating irregularity records, recording irregularity, making settlement and follow-up audits should be made organized as per provisions of the laws.

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

(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	296,132.9	-	-	296,132.9	46,536.2	342,669.1
Provincial Government Office	24,378.0	-2.8	2,475.7	21,899.5	6,568.9	28,468.4
Local Level	172,605.3	0	10,162.2	162,443.1	31,015.2	193,458.3
Other Institution/ Committee (Including Provincial)	94,223.1	-1.1	435.7	93,786.3	11,481.8	105,268.1
Total	587,339.3	-3.9	13,073.6	574,261.8	95,602.1	669,863.9

3.1. Out of total outstanding irregularity amounting to NRs. 587 billion 339.3 million remained up to Auditor General's 60th Annual Report, 2022, NRs. 3.9 million has been adjusted and NRs. 13 billion 73.6 million (2.22 percent) has been settled /cleared through follow-up audit and the cumulative outstanding irregularity up to this year has reached NRs. 669 billion 863.9 million with the addition of this year's irregularity NRs. 95 billion 602.1 million.

3.2. Out of the outstanding irregularity NRs. 5 billion 247 million 224 thousand remained up to fiscal year 2002/03, the records of which handed over to the Kumari Chowk & Kendriya Tahasil Karyalaya (Central Recovery Office) as per the Council of Ministers' decision of date 2012/09/27 (2069/6/11), the irregularity amounting to NRs. 1 billion 875 million 879 thousand of the

government offices has been settled and cleared the irregularity records in this year through the regularization, recovery and remission.

4. **Irregularity Clearance Arrangements of Local Level** - Section 20(3) of Audit Act, 2019 provides that the concerned local level shall submit the audit reports issued by the Auditor General by completing audits in its rural municipal council or municipal council for making deliberation. There has been a situation of conflict of interest in the settlement of irregularities in local levels as the account committee becomes ineffective in local level due to lack of opposition parties in its Assemblies and the influence of executives are seen in the decisions that impact the expenditures. For promoting the fiscal transparency and accountability, it has become essential to constitute an independent and effective agency making reviews on the relevant Acts in order to make deliberation on the audit reports of local levels and carry out the monitoring.

5. **Work Plan For Implementation of Reports -** Section 21 of the Audit Act, 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, specify the period for implementation, make re-examination and give necessary instructions on the matter to the concerned body. Since the recommendations included in the Auditor General's Annual Report are not timely implemented, same nature of irregularities have been repeated. By preparing proper work plans, the responsible officials should pay due attention in implementation of observations/ recommendations pointed out in audit reports.

6. **Efforts made on Clearance of Irregularities -** With regards to the Office's Annual Audit Plan and Program, this Office has conducted discussions/ interactions with the Chief Accountability Officers of Ministries/Entities of the Government of Nepal and Chief Executives of Public Enterprises, and with regards to the past years reports, this Office has conducted discussions/ interactions with the Chief Secretary of the Government of Nepal, Chief Accountability Officials of the Federal and Provincial Governments and the Officials of Local Levels. In the discussion programs, discussions have taken place on the matters of the causes of arising irregularities, measures to minimize audit irregularities, settling audit observations within timeframe on the basis of the replies, evidences and justifications, and the policy and legal arrangements

to be made for linking the irregularity settlement works with career development of employees.

7. **Impact of Audit** - In this year, the audit has recovered NRs. 2 billion 177.3 million with regards to the budgetary entities, which include NRs. 1 billion 262.5 million recovered in course of the auditing, NRs. 718 million recovered after issuance of preliminary reports, and NRs. 196.8 million recovered in settling previous years' irregularities, and the audit has recovered NRs. 19 billion 994 million with regards to the non-budgetary entities. Altogether total NRs. 22 billion 171.3 million has been recovered from the audits. As per the recommendations provided in past audit reports, the revenues of NRs. 7 billion 850.6 million has been recovered in this year from the amounts received by issuing the FPO with regards to the irregularity related to the remission of fees and interests given in entities that not included in the distributed bonus share amounts received as dividends, and the revenues of NRs. 5 billion 370.1 million has been recovered from the arrangements of not giving remission to the fees and interest in the taxes applicable in gains obtained from mergers and acquisitions of the banks and financial institutions, and thus total revenue NRs. 13 billion 220.7 million has been recovered. Except these, revenues have been collected in the Federal Consolidated Fund as a result of the implementation of recommendations provided by the audits related to various customs and taxes. Some of the recommendations given by audits for various policy and legal reforms are in implementation phase.

8. **Outstanding Advances** - Out of this year's total overdue advances NRs. 6 billion 344.1 million of the Federation, Provinces and Local Levels, the outstanding of the Federation is NRs. 2 billion 97.2 million, Provinces is NRs. 1 billion 424.1 million and Local Level is NRs. 2 billion 822.8 million. The statement related to this is given in Annex-15. As per the Consolidated Financial Statements of the Financial Comptroller General Office, total outstanding advance of the Federal and Provincial Offices and Local Levels is shown as NRs. 56 billion 917.8 million. The statement related to this is given in Annex-17. An analysis related to advances could not be done as the updated statement of overdue and undue advances were not prepared. The audit has witnessed observations, the like - the outstanding advance amounts are not reconciled with financial management information system, the forms specified by the Auditor General for keeping advance account are not updated, the offices has not conducted advance clearing actions by maintaining separate records while clearing past year's outstanding advances, advances have been provided in the condition the amounts are not expendable, advances are not settled on time etc., Hence, it has become

imperative to do improvements in providing advances, keeping its records, making settlement of the outstanding advances.

9. Annual Report - Article 294 (1) of the Constitution of Nepal provisions that the annual reports submitted to the President by the Auditor General shall have to 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 Province Assembly through the Chief Minister.

9.1. In accordance with the arrangements of the annual reports submitted by Auditor General are to be discussed in Public Accounts Committee of House of Representatives, the Sixtieth Annual Report of the Auditor General submitted to the President on 13th April 2023 and general deliberations have taken place in the Public Accounts Committee with regards to the observations pointed out in the report and detailed deliberations are going on in Sub-Committees constituted under the Committee, however, no directives have been received from the Public Accounts Committee. There should be arrangements of holding timely discussions in the Federal Parliament immediately after submission of the Auditor General's Annual Reports and implementing the recommendations of such Annual Reports.

9.2. Though the Annual Reports of the Auditor General of all Provinces have been submitted to all concerned Chief of Provinces on 13th April 2023, but the concerned Chief Ministers of the Provinces have tabled the Reports only on - 6th June 2023 in the Koshi Provincial Assembly, 29th June 2023 in Bagmati Provincial Assembly, 19th May 2023 in Madhesh Provincial Assembly, 28th September 2023 in Gandaki Provincial Assembly and 27th April 2023 in Karnali Provincial Assembly. However, no information has been yet furnished that the annual reports have not been tabled in the Lumbini Provincial Assembly and Sudurpachhim Provincial Assembly.

Since the arrangements of holding discussions in concerned Committee after submission the Auditor General's Annual Reports in of Provincial Assemblies help in the promotion of fiscal discipline and fiscal accountability, necessary arrangements should be made for holding timely discussions of such Annual Reports by making timely tabulation in the immediate session of the concerned Provincial Assembly.

9.3. After completion of the Federal Parliament Election, the Public Accounts Committee is constituted on 16th May 2023 and Sub-Committees are constituted on 17th September 2023 for the deliberation on the irregularities. Since the Annual Reports have not been presented in the Federal Parliament along with the decisions taken by the Sub-Committee and Committee, the decisions made by the existing Public Accounts Committee are yet to be implemented.

9.4. Rule 170 of the House of Representative Regulation, 2075 (2019) specifies that the scope of the Public Accounts Committee is related with the public accounts and annual reports of the Auditor General. Rule 175 (4) of the same Regulation provides that the Public Accounts Committee, by examining the irregularities specified in annual reports of the Auditor General tabled in the House, may issue necessary directives by making studies with regards to whether the works/actions done by the Auditor General and the works/actions to be done by the concerned entities in this respect have been performed as per lawful and justifiable manner. Out of total 60 Annual Reports submitted by the Auditor General till now, the deliberations on some of the Reports are yet to be concluded. Since the concerned Chief Accountability Officers are liable for implementing the directives issued with respects to the irregularities, the deliberations of which are completed and decisions taken related to public accounting, the monitoring need to be done effectively by maintaining the records relating to the status of implementation of decisions.

Section 2 of the Audit Act, 2075 (2019) defines that "Audit" means examination of the accounts and accounts related to the bodies referred to in Section 3 and the analysis and evaluation to be made on the basis thereof, and this term also includes an act of follow-up audit. Section 21 of the same Act provides that the Auditor General may, pursuant the implementation of its reports, do acts including to obtaining report of activities, getting explanation, specify the period for implementation, make re-examination and give necessary direction on the matter to the concerned body. Section 40(4) of the Financial Procedures & Fiscal Accountability Act, 2076 (2019) provides that the Auditor General shall have to give acknowledgements within 7 days in case of the irregularities regularized by the Chief Accountability Officer, and Section 41(3) of the same Act provides that the Auditor shall give acknowledgements to the Public Accounts Committee and the concerned Chief Accountability Officer by clearing the irregularity record within the 30 days in case of the irregularities regularized as per Public Accounts Committees' Reports as approved by the House of Representatives. Though the Office of the Auditor General has been carrying out the audit follow-up works in accordance with the laws since the

establishment of its office, the work of clearing irregularity records by conducting audit follow-up has been withheld after issuance of directives by the Public Accounts Committee on 2022/07/01. Hence, the matter need to be shorted out by conducting discussion with the Public Accounts Committee and consistency also need to be established in between the above mentioned two laws. Since the subject matter has not been yet shorted out, the works of making follow-up audits and clearing the irregularity records have remained outstanding with regards to produce of evidences of the settlement of irregularities of NRs. 391 million 489 thousand by the Federal Ministries and 20 offices thereunder in this year.

Since the some of the provisions of the Financial Procedures & Fiscal Accountability Act, 2076 (2019) are found contradictory with the provisions of the Audit Act, 2075 (2019), an effectiveness in the works of auditing, follow-up audit and settlement of irregularities should be brought by making necessary revision for maintaining consistency between the two laws.

Chapter - 5

Reforms to be Undertaken in Future

Achieving the anticipated goals through the promotion of accountability, transparency and integrity and prudent mobilization of limited means/resources is the need of present time. By incorporating the subject matters experienced in course of auditing and pointed out in preliminary reports, the recommendations have been provided in eight headings - inclusive of the governance management, economy, public fiscal management, good governance etc. as mentioned below:

Governance Management

1. **Formulation and Implementation of Laws**

1.1. Since some essential laws are yet to be formulated for the implementation of the Constitution, such laws should be formulated in a coordinated manner. Amendments and revisions need to be done in existing laws as per relevancy of time. The involvement of the stakeholders needs to be guaranteed while formulating the laws relating to subjects specified in the common power list.

1.2. The work descriptions about scope of powers between three tiers of governments should be implemented making further clear.

1.3. There should be more coordination, collaboration and partnership for the division of resources between the tree tiers of governments. The roles of Coordination Councils should be made more effective.

1.4. Promptness needs to be brought in the implementation of the verdicts and policy decisions made by the judiciary and semi-judiciary organs. Monitoring needs to be done with regards to the adherence and implementation of the decisions made by the Parliamentary Committees by maintaining records.

1.5. A consistency needs to be established in structure, formats and delegated powers of the formulated laws.

1.6. The constitutional roles of the constitutional bodies should be made more effective by granting them the financial and administrative autonomy. The directives and recommendations provided by such bodies should be implemented.

1.7. The treaties, agreements, in which Nepal is signatory, need to be adhered, and the diplomatic relations need to be strengthened.

1.8. The inter-relationship between the politics and administration should be strengthened by defining clear responsibilities.

2. Implementation of Federalism

2.1. The organizational structures should be developed in order to avoid duplication in operations of subject-wise programs between the Federation, Provinces and Local Levels.

2.2. Inter-level coordination and partnership should be established to obtain benefits through the sustainable use of natural resources and the distribution of benefits should be made justifiable, balanced and transparent.

2.3. Arrangements should be made to provide the conditional grants to be transferred from the Federation and Provinces in a lump sum manner by determining the achievements and goals. By reducing the share of the conditional grants, other fiscal transfer should be made time relevant.

2.4. The scope of revenues needs to be expanded in order to reduce the financial gaps between the internal source and expenditure of all three tiers of governments.

2.5. There exists a situation where the Federal Government needs to raise loans for providing the fiscal transfer due to negative balances in its Consolidated Fund, whereas, the Provinces and Local Levels have unspent balances due to non-utilization of resources. Hence, an appropriate approach needs to be adopted for the resource management.

2.6. The expenditures are surging and the responsibility and accountability are also impacted due to the changes in the number of provincial ministries and their organizational structures. Improvements are needed in this respect.

2.7. Required manpower in Provinces and Local Levels needs to be timely managed by making effective to the performance of the Province Public Service Commissions.

3. Regulation Arrangement

3.1. Considering the people's complaints on the availability, quality and prices of very essential goods - including drugs, agricultural goods and food substances, the system of conducting monitoring of the markets and taking actions to defaulters should be made effective in coordination with the concerned entities.

3.2. The roles of the regulatory agencies need to be made more effective in order to make the financial, cooperative, commercial, securities, electricity, aviation, education, health, telecommunication etc. related services qualitative, accessible and time-relevant.

3.3. By conducting regular monitoring with respect to the conditions of saving collections and loan investments of the cooperative organizations and the performances of non-governmental organizations, arrangements need be done to assure that such organizations have been operated as per specified objectives.

3.4. The concerned parties should be held responsible for the delays occurred in supply of goods and services, low quality standards of structures, delays occurred in delivery of services and mistakes occurred in performances.

Economy

4. **Sustainable and Self-Reliant Economy**

4.1. Performances need to be improved to attain the economic growth rates as per pre-determined goals of the periodic plan and budget. Investments need to be raised by identifying new areas in the economy.

4.2. There should be arrangements for optimum mobilization of the national means and resources through the import substitution and export promotion, and making investments comparatively beneficial sectors, such as - tourism, hydro-power, mining, herbs, information technology etc., that supports in the creation of employment through the use of local skills and resources.

4.3. The national economy should be made self-reliant and prosperous by optimum utilization of the available means and resources in collaboration with the governments, private sector, cooperatives and development partners.

4.4. Appropriate fiscal and monetary policies need to be adopted with the participation of the private sector and stakeholders in order to address the challenges witnessed in the mobilization of financial resources, interest rates, and economic activities.

4.5. The informal economic activities should be regulated and included in national account.

4.6. The agriculture sector production and productivity need to be increased by providing the improved seeds, irrigation facilities, chemical fertilizers, crops and livestock insurance and modern technology to the stakeholders.

4.7. Arrangements should be made to diversify trade, increase the domestic production and enhance the entrepreneurship and competitive capacity of the private sector by creating investment-friendly environment.

4.8. The remittances should be brought through the formal channel and used in productive works.

4.9. The natural resources should be used keeping in view of its sustainability. There should be coordination and collaboration between the concerned parties in the use of natural resources.

5. Revenue Mobilization

5.1. Digital transactions conducted through the modern techniques, such as - social network, virtual meeting platform, E-commerce and E-payment etc. should be brought under tax net.

5.2. The impact of revenue remission provided in various goods and services needs to be evaluated. Such remissions should be managed through the budget appropriation.

5.3. National Harmonization Codes need to be prepared and implemented in order to make the declaration, classification and assessment of goods in customs realistic and make such assessment transactions price based.

5.4. By making the integrated tax system strong and secured, the scope of tax assessment should be extended by strengthening the risk-based tax assessment system.

5.5. The extent of market monitoring and stock examination should be increased in order to check the revenue leakages. There should be arrangements to extend the E-billing system and monitoring such system regularly.

5.6. The volume of foreign direct investments needs to be increased by signing the double tax exemption treaty with the probable countries from which the comparative benefits and investments can be obtained.

5.7. In view of larger share of import-based revenues, appropriate policies need to be adopted for the substitution of such revenues and emphasizing in domestic production.

5.8. The recovery of non-tax revenues should be made cost-effective and its rates should be reviewed as per needs of time.

5.9. Necessary arrangements should be made to review the sources collected by the regulatory agencies and to deposit certain portion of the collected amounts by such agencies in the Consolidated Funds.

5.10. Financial Administration should be made strong by inter-linking all E-information systems related to the revenue administration. The capacity of revenue administration should also be enhanced.

6. Development Assistance

6.1. Taking the development assistances on the basis of national interest and priorities, all types of development assistance should be mobilized through the national budgetary system.

6.2. Since the time and costs will rise and delays will occur in getting benefits if projects are not completed on time, the works of projects need to be performed in such a way to complete them within the specified time.

6.3. The budget amounts of foreign source should be appropriated only after certainty of the receipt of development assistances.

6.4. There should be arrangements to make reporting of the development assistances expended by the Provinces and Local Levels to the Federal Government and taking reimbursements on time.

7. Industry and Trade

7.1. An environment should be prepared to bring foreign investments and attract international and multi-national companies in Nepal.

7.2. For the development of industrial production and self-reliant economy, the skilled manpower needs to be produced by providing technology-friendly and skill-oriented trainings to citizens.

7.3. Necessary policies and programs need to be implemented for the import substitution and export promotion, high value yield, utilize traditional knowledge and skills for local production, and emphasize in production growth along with financial motivation for the development of local material-based micro and cottage & small industries.

7.4. For investment-friendly environment, various laws - including the industrial enterprise policy, Act and Regulation, Foreign Investment and Technology Transfer Act, company laws, consumer's right protection laws, laws related to foreign exchange regulation, laws related to banks and financial institutions, laws related to public private partnership, Finance Act of each year, laws related to forest & environment, and other relevant laws etc. need be amended and reviewed as per relevancy of time.

7.5. Since tax revenues have been impacted as a result of the impact of rising non-banking assets in the banking and financial institutions on their profits, an emphasis should be given in the corporate governance and expanding the scope of the monitoring.

7.6. In order to promote export-oriented industries, an environment needs to be created for establishing and operating industries through easy operations of the Special Economic Zones.

8. Public Enterprises Management

8.1. Out of the existing Public Enterprises (PEs), the enterprises which need to be kept under full, substantial and partial ownership and controls of the governments on the basis of priority of the state are to be determined and operated.

8.2. The PEs are to be operated ensuring that they are operated for the interests of mass people or business purposes.

8.3. Transparent standards need to be prepared for the selection of the professional directors for operating the PEs.

8.4. While appointing Chief Executives of the PEs, an objective-wise work performance contracts need to entered and their terms of services need to be continued on the basis of evaluation of work performances.

8.5. The realistic accounts of share and loan investments made in the PEs need to be maintained, returns are to be guaranteed, and their contributions on employment, national production and revenues need to be analyzed.

8.6. Necessary works are to be done to ensure whether the privatized PEs have performed works as per contracts and to analyze whether they have cleared accounts dues, and actions are to be taken as per the contracts if found any works are not done as per clauses of the contracts.

8.7. Since the provision of carrying out audits of the financial transactions has not been strictly implemented, several PEs have not completed audits on time and some of other PEs are having audit backlogs years to years. Legal provisions are to be framed for taking actions to such PEs.

Public Fiscal Management

9. Public Finance

9.1. In making revenue projection and estimation of expenditures, the gaps between the budget and expenditure should be minimized making the estimation scientific and realistic manner.

9.2. The practice of allocating huge budgets in finance-miscellaneous or keeping unallocated budget, for the purposes of the headings which can be estimated prior to the formulation of budget, and doing virement and spending at the year-end

should be controlled, and the budgets should be implemented maintaining trimester balances. There has been practice of appropriating huge amounts in the grant number in which the limit of virement is not applicable and transferring such appropriated budgets later on in other grant numbers. It has become essential to control such practices within desirable limits.

9.3. All types of Funds established by all tiers of governments outside the national budgetary system without making legal arrangements should be liquidated.

9.4. The situation of undertaking procurement processes by appropriating budgets without completing the preparatory works of the projects and not implementing such construction works should be ended. The practice of keeping payment dues in the specified year and transferring such liabilities for next year should also be discouraged.

9.5. A clear demarcation needs to be determined between the projects to be implemented by three tiers of governments.

9.6. The additional economic burdens to be borne from the implementation of social security allowances, pension amounts, contribution-based pension plan and the liabilities created by the agreements and legal decisions need to identified and analyzed.

9.7. Consistency needs to be established between the long-term policies, periodic plan, medium-term expenditure frameworks and annual budgets. The budgets should be appropriated on the basis of regional balance by identifying high yield receivable or comparatively more beneficial projects and programs.

9.8. The arrangements of collecting the fees and taxes from single point should be made by analyzing the tax burden and costs of tax payments. By reviewing the tax collection centers, arrangements should be made to divide the revenue collected amounts through the Divisible Fund.

9.9. By making the tax bases of all three tiers sustainable and wide, improvements need to be done in the existing situation of the provinces and local levels becoming more dependent upon the federal grant.

10. Public Debt Management

10.1. Public Debts should be raised by making analysis of the subjects - acquisition and use of the public debt, absorptive capacity and loan conditions etc.

10.2. By enhancing the entrepreneurial efficiency of the Public Enterprises, arrangements should be made for timely collecting the principal and interest of the loans provided by the governments.

10.3. The burdens and costs of public debt should be reduced by forecasting the cash flows in order to make the payments of the public expenditures balanced.

10.4. Dependency on loans should be minimized by making policy and legal arrangements relating to the mobilization of cash balances existed in the Funds, Boards, Councils and Institutions owned by the governments.

10.5. The exchange losses arising from fluctuation of exchange rates in the mobilization of loans should be minimized by identifying the measures to minimize the risks of foreign exchange rates.

10.6. The act of using Public Debts in recurrent nature of expenditures should be discouraged. Public debts should be integrated with the capital formation and production.

11. Grants

11.1. The system of providing grants based on results should be followed while distributing grants. The policy of converting grants into seed-money and taking amounts back after elapse of certain period should be adopted.

11.2. In order to make transparent of the grants provided by all three tiers of governments and other public agencies, the system of making public of the persons receiving grants and the works to be done from the grants should be implemented.

11.3. Necessary standards and procedures need to be determined to develop the system of preventing duplication in the selection of beneficiaries and provide grants only the basis of cost sharing.

11.4. The matters of contribution of grants in production and productivity and positive changes brought in living standards of people need to be evaluated. It needs to be assured that the grants and assistances have reached to the targeted groups.

11.5. In providing grants of capital nature, it needs to be assured the beneficiaries will also bear certain portion of costs. In cases where the specified works are not done as per terms of grants, an arrangement needs to be done to bring such developed assets from the grants under the government ownership.

12. Accounting and Reporting

12.1. All entities of three tiers of governments should prepare their financial statements as per the specified formats of Nepal Public Sector Accounting Standards. The Consolidated Financial Statements should be prepared by incorporating the transactions and information of three tiers of governments and all budgetary and non-budgetary entities operating under the governments.

12.2. Since the cash basis accounting system cannot present and give picture of the overall financial positions and financial performances incorporating all financial transactions, necessary works are to be done for its improvement to converse this system into the accrual basis accounting system.

12.3. The disbursements of grants provided by the Federal Government under the fiscal transfer have been accounted as expenditure, but unspent amounts have been kept as balance in the consolidated fund of the concerned governments even after completion of a fiscal year and in some circumstances, such amounts are refunded in next year. Hence, arrangements need to be done to make the revenues and expenditure amounts realistic by avoiding the double accounting treatment of same amounts.

12.4. Necessary accounting and reporting are to be done by consolidating the assets/property and liability statements of all governments. Arrangements need to be done to maintain accounts of the liabilities and commitments created under multi-year projects or other arrangements.

12.5. As per the Inter-Governmental Fiscal Arrangement Act, 2074 (2017), the Divisible Funds are created for depositing the revenues and amounts collected from natural resources, and amounts deposited in such Divisible Funds should be divided within the specified time.

12.6. In order to maintain consistency in the budget formulation, implementation, accounting and reporting between three tiers of governments, an Integrated Financial Management Information System should be developed and implemented by adopting modern information technology/system. There should be arrangements of preparing the basic financial statements of accounts automatically from the system.

12.7. While publishing financial statements by the Financial Comptroller General Office and other entities, necessary arrangements should be made to publish the audit reports along with the Auditor General's Opinions and certified financial statements.

12.8. Necessary programs are to be conducted to enhance the capacity development of the manpower working in public fiscal sector.

13. Internal Controls and Audit

13.1. As per Financial Procedures & Fiscal Accountability Act, 2076 (2019), the offices operating under all tiers of governments should make active to their Internal Controls & Audit Committees. The Financial Comptroller General

Office should make the internal control system effective through developing Internal Controls Manual.

13.2. Internal audits should be made mandatory for the public institutions, such as - Universities, Committees, Boards, and Corporate Bodies etc. To make the internal audits effective, necessary legal and organizational reforms are to be undertaken so as to keep the auditors free from the managerial and operational responsibilities in line with good international practices.

13.3. To maintain the financial, administrative and functional independency of the Supreme Audit Institution in accordance with the Lima and Mexico Declarations of the International Organization of Supreme Audit Institutions and the resolutions adopted by the United Nations' General Assembly time to time, necessary laws and means & resources should be formulated/ provided.

13.4. By making improvement in the system of doing physical examination of documents being presence at work place, the system of conducting remote auditing should be implemented through establishing an access in the information technology of the concerned entities.

13.5. In order to enhance the quality of auditing, works should done for increasing the involvement of professional specialists in auditing, capacity development of the employees involved in auditing and arranging necessary physical infrastructures to them.

13.6. There should be arrangements for timely submitting the audit reports in concerned legislative bodies of all three tiers and making deliberation on the reports.

13.7. Section 2(d) of the Audit Act, 2075 (2019) mentions that the auditing also covers the act of follow-up audits. Likewise, as per the principles, standards and guidelines prepared by the International Association of Supreme audit Institutions and the standards and guidelines prepared by the Office of the Auditor General on above basis, the acts of follow-up audits has been arranged/ adopted as a part and parcel of the auditing work. However, some of the provisions made with respect to follow-up audits in the Financial Procedures & Fiscal Accountability Act, 2076 (2019) have created confusion/ uncertainty. Hence, the matter should be made clear making improvements the laws.

13.8. For proper management of the audit reports, improvements need to be done in related laws as per relevancy to time.

Public Assets Management

14. Procurement and Receipt

14.1. Optimum use of means and resources should be done by achieving efficiency in obtaining and division of public assets and mobilization of the means and resources for procurement works.

14.2. While acquiring any public assets, procurements need to be done preparing procurement plans. The procurement processes should be transparent, competitive, efficient and systematized.

14.3. The procurement of machines, equipment and tools should be done only after ensuring the usage.

14.4. An integrated report of the public assets should be maintained. Inventory records of the goods/materials received as commodity assistances should also be maintained mandatorily, and any entity receiving goods/materials through the handover after the completion of projects/ programs should also maintain records and make proper use of such goods/materials.

14.5. The practice of making new procurement without doing repair and maintenance of the repairable goods/equipment should be discouraged.

14.6. The quality standards of physical infrastructures constructed for public purpose should be assured. For this, there should be mandatory arrangements of testing construction materials, doing monitoring of the construction processes and conducting laboratory tests as per the Quality Assurance Plan.

15. Safeguards and Usage

15.1. Heritages of historical, religious, cultural and archaeological significance need to be conserved/ used, and the public lands owned by the government, public entities and religious/educational institutions need to be protected. The lands acquired by the governments should be protected and used as per specified objectives.

15.2. In order to manage the use of natural means and resources inclusive of leasing and usufruct of the government lands and forest areas and extraction of mines etc., clear standards should be prepared, and such resources should be properly utilized, managed and monitored in such a manner from which the returns can be attained.

15.3. While giving any public assets on lease, the Operational Policy Related to the Registration, Usage and Giving on Lease, 2079 (2022) needs to be followed.

15.4. For conducting monitoring of the works/ actions related to the extraction, collection and export of river-based and mine-based materials of the local levels,

an effective mechanism should be arranged, and the extraction of the natural resources without any restriction should also be controlled.

15.5. There should be arrangements of making handover of the public assets - vehicles, equipment, buildings etc. by assessing the situations of possessing excessive number of assets by some entities and becoming shortages in some other entities. Necessary arrangements need to be made for the use of vehicles by determining certain standards.

15.6. The management of assets should be done by carrying out the repair maintenance or doing auction and handover of the vehicles that remained in the condition of unusable in the government offices and uncared in public places.

15.7. In order to conserve and manage Nepalese art, culture, technology, production etc., the registration and regulation of intellectual property should be made more effective.

15.8. While making disposal or destruction of the goods, such as - unusable assets, expired poison, chemicals, metals etc., the environmental aspect should also be considered. In procuring such goods, the method of destroying goods after the use needs to be made clear.

16. Record Management

16.1. All entities should keep records and update records of the assets in Public Assets Management System (PAMS). The inventory records maintained in the manual-based inventory recording system, which was used prior the implementation of the PAMS, should be mandatorily uploaded in the PAMS. In the PAMS, the records of public assets - including public lands, building, heritages etc. and assets received as commodity assistances should be mandatorily posted.

16.2. The records of the government and public lands should be consolidated and any unauthorized usage and encroachment needs to be stopped.

16.3. For the security and recording of the vital assets, the priority needs to be given the works of proper safeguarding by keeping records in the digitization and scanning in micro films.

16.4. The records of the maps, treaties, agreements of national importance and historical documents need to be kept safely making digitization, and the management of such documents should be done to keep the documents paper-wise safe as manuscripts for long-term period.

16.5. The management of records of the structures constructed by the public entities, such as - buildings, culvert, and roads etc. should be done by keeping records in G.P.S. by disclosing the status of construction works, its operations and costs.

Development Management

17. **Sustainable Development Goals**

17.1. All three tiers of the governments should include the sustainable development goals in their periodic plans and should formulate and implement all policies and programs in accordance with the goals.

17.2. An Integrated Data System should be developed in order to support in performing activities to the public entities.

17.3. In order to attain the sustainable development goals, necessary works need to be done to make effective the roles of all parties - inclusive of the governments, private sector, non-governmental organizations etc. and maintain the ownership and affinity of all parties.

17.4. By analyzing the goals, national capability and priority of the periodic plan, the required resources is to be estimated in order to attain the sustainable development goals.

18. **Project Management**

18.1. The budgets, programs and achievements are to be linked with the individual accountability. The project banks are to prepared by prioritizing the projects on the basis of the cost benefit analysis, internal rate of returns, payback period etc. The system of not including any projects outside the project bank needs to be followed.

18.2. There should be arrangements for maintaining the needs, priority and geographical balance in selecting the projects and appropriating budgets.

18.3. Dependency on the consultants for preparing drawing design, and detailed project report needs to be lessened, and delays occurred in the attainment of returns due to the variation, time and cost overruns etc. in works arising from the arrangement of contracts without completing the project's preparatory works need to be controlled.

18.4. National Pride Projects and Game Changer Projects should be declared only on the basis of certain indicators and standards, and such projects should be commissioned within the pre-determined time and cost. For implementing such

projects, appropriate monitoring machinery with legal arrangements should be established and made functional.

18.5. Since same nature of projects and projects having interrelation with each other are being implemented by various entities/ governments, such projects need to be implemented on the basis of coordination between the agencies, the like - road, electricity, telephone, irrigation, water supply, forest etc.

18.6. By considering the manpower, heavy equipment, availability of construction materials and entrepreneurship needed for the construction and assessing the national construction capability, the construction capacity should be enhanced in line with national needs.

19. Public Procurement Management

19.1. While making procurements using the government funds by the institution registered as per laws in accordance with the Public Procurement Act, the arrangements of adopting the procedures prescribed in the Act should be strictly adhered.

19.2. The procurement management should be done only after the completion of all pre-preparatory works including - the preparation of detailed project reports, land acquisition, tree cutting, shifting the electricity poles, environmental impact assessment, and coordination with the stakeholders etc.

19.3. While preparing basis of bidders' qualifications and specifications, it should not be prepared to favor any specific construction entrepreneurs, suppliers and consultants only.

19.4. There should be control in practice of conducting direct purchase by slicing the cost estimate of same nature of works, and adding works through the variation without preparing cost estimate realistic manner in the situation of the works are predictable.

19.5. Procurement laws should be formulated by including new procurement procedures, such as - Public Private Partnership, Built-Own-Operate-Transfer (BOOT), Engineering Procurement Contract (EPC), and Operating and Financial Leasing Proposal Invitation and Evaluation.

19.6. The audits have observed malpractices, the like - awarding the works to the user committees requiring the use of complex technology and equipment, undertaking works awarded to user committees through the construction entrepreneurs, and undertaking direct procurement of complex nature works and

goods purchasing through the user committees etc. Such malpractices need to be controlled.

19.7. Legal provisions should be made to determine defect liability period in the works undertaken through the user committees and making the user committees responsible for the improvement of mistakes during such defect liability period.

19.8. It has been practiced that the contractors are selected on the basis of joint-venture of domestic and foreign firms created for carrying out the construction works, but the actual construction works are undertaken though the less experienced firms or with the involvement of the domestic firms only. To control such malpractices, a clear provision related to the joint venture should be formulated.

19.9. The public entities should mandatorily implement the system of submitting tender bids through the electronic system.

Information Technology

20. Use of Information Technology

20.1. Improvements are needed in the legal provisions in order to make the operations of electronic transactions systematized and trustworthy.

20.2. Appropriate legal arrangements need to be made to regulate and manage the electronic transactions - Online Trading, E-payment etc.

20.3. Clear standards need to be prepared and implemented conducting adequate studies and cost benefit analysis with regards to the identification of needs, design, development, conducting procurements and repair maintenance of the Information Technology System.

20.4. Reviews are needed in the work of carrying out entity-wise separate procurements of the Information Technology System, and the procurements of any system should be done by establishing the inter-entity coordination and the accesses to such system are to be given to the concerned entities.

20.5. The system of getting services from the governmental integrated data center should be adopted by reviewing the acts of operating separate data center by each and every government entity.

20.6. The credibility of information technology should be enhanced by examining regularly of the Information Technology System operated by the public entities.

20.7. The modern approaches emerged in the information technology - including artificial intelligence (AI), machine learning etc. should be adopted by conducting study on its pressures on costs and capacity development.

20.8. The Information Technology should be used only after making registration and renewals of the system in the authorized entity and the fulfillment of standards after conducting the Vulnerability Assessment and Penetration Test (VAPT) and other tests.

21. Security and Management

21.1. The public entities should preserve existing data while changing and updating the Information Technology System being used.

21.2. Attention should be given in the data security and confidentiality while disposing off any machine equipment related to the Information Technology.

21.3. For sustainable management of the Information Technology System, the works of maintaining security and confidentiality of the information should be done, and the Back-up System and Restoration and Emergency Operations Plan of the system for the loss & damages to be occurred from the natural disasters should also be prepared.

21.4. Studies are to be undertaken about the use of the Information Technology and its impact on service delivery, and all systems should be internalized through the capacity development for sustainability of operations of the systems.

21.5. In order to maintain consistency in websites and mobile application developed by the public entities, the information published and transmitted through the electronic medium should be updated regularly.

21.6. The expenditures incurred on the Information Technology and the records of machines/equipment related to this should be properly managed and regulated.

21.7. The public entities should utilize the information updated in the systems by establishing inter-linkage as per requirements.

Public Administration

22. Human Resource Management

22.1. Training Centers, Vocational Training Academies and Universities should prepare manpower making necessary analysis in order to produce manpower as per demands of the market.

22.2. The Human Resources Plan should be prepared by anticipating the demands of local and public administration.

22.3. The Federal Civil Service Act and the laws related to manpower mobilization in the Provinces and Local Levels should be immediately formulated and

implemented, and necessary amendments and revisions should be made in the existing laws as per needs of time.

22.4. The service deliveries of the Provinces and Local Levels have been affected due to non-fulfillment of the manpower on time as per the approved positions of employees. The approved positions of employees should also be revisited considering the geographical condition, availability of resources, status of service deliveries, payment capability etc.

22.5. The systems of the placement of right person, right time in right place, enhancement of the motivation and morale of employees, making the transfer and promotion predictable, giving responsibility by assessing the compliance with the fiscal discipline and leadership capacity, and Indicators-Based Performance Evaluation System need to be implemented.

22.6. Various domestic and foreign trainings should be provided for the development of multi-skilled manpower, and the enhancement of knowledge, skills, capacity of the manpower.

22.7. The Civil Employees' National Training Policy should be implemented by conducting reviews as per time requirements. For updating knowledge, maintaining skills and enhancing efficiencies on related subjects of the civil servants working in public procurement, revenue administration, accounts, and audits etc., the arrangements should be made for getting the time-bound minimum training at an interval of certain time.

22.8. The employees' positions of the Public Enterprises, Commissions, Boards, and Academies should be approved by determining necessary manpower, and the recruitment, placement and career development should also be transparent and scientific.

22.9. The organizational structures should be smart and technology-friendly, and the work efficiency and productivity should be enhanced by linking up the approved positions with job responsibilities.

22.10. An emphasis should be given in the development of ethical foundation and bringing positive changes in the ethical behavior through various subject-wise trainings and orientation programs, such as - pre-service training, in-service training etc.

22.11. A smart and predictable service delivery system should be implemented through proper management of the quality standards, timeframe, fees and processes of the public service delivery.

23. **Public Service Delivery**

23.1. For reducing the time, distance and costs of the service delivery and make such service delivery safe, reliable and sustainable, the system of providing paper-less service delivery from single service point should be implemented by integrating the entities involved in service delivery under the electronic system.

23.2. By determining the services that can be delivered from private and business sector and making necessary arrangements for operating from those sectors, the government sector should only perform the regulation of such services.

23.3. The public entities should work for introducing the exemplary work procedures, modern techniques and methods adopted by the private, community and non-governmental sectors in service delivery and adopt the good international practices.

23.4. Appropriate methods of service delivery - including of the time rotation system, token system, layout management, complain hearing system, and help-desk system etc. should be implemented for making the service delivery qualitative and effective.

23.5. For making the service delivery effective, use of electronic modes, complain hearings and effective monitoring need to be done and the concerned officials and manpower should be accountable and responsible to the service recipients.

23.6. There should be arrangements of avoiding duplication in the services to be delivered by the Federation, Provinces and Local Levels and other public agencies.

23.7. The civil awareness should be promoted and feedback system should be adopted for increasing the effectiveness in service delivery.

23.8. A smart and predictable service delivery system should be implemented through proper management of the quality standards, timeframe, fees and processes of the public service delivery.

23.9. If any decision making official considers that it would be appropriate to take an opinion of any legal or technical expert with regards to any decision on legal or technical questions, there exist legal provisions of taking such expert opinions. While taking decisions on that basis, the responsibilities of the officer or entity giving opinion, processes, the officer giving opinion and making decision as per opinion and the entity reviewing such opinion should be identified.

Good Governance

24. Corruption Control and Good Governance

24.1. The work culture of enhancing the official conduct, ethics, morality, integrity should be adopted.

24.2. By preparing a list in respect to key risk areas of becoming corruptive activities and preparing a list for conducting surveillance, necessary arrangements should be made for making special surveillance in such areas.

24.3. Prior to holding the responsibility of a leadership post, it should be assured that whether there exists any conflict of interest between the works to be performed by the concerned post and the occupational business involved by the person going to hold such post and his/her background, and a record should also be maintained by getting declaration of code of ethics formally from such person.

24.4. Awareness programs should be conducted in order to discard the corruptive activities socially and culturally.

24.5. There should be arrangements of exchanging information between the entity conducting regulation and implementation with regards to the suspicious and criminal activities and financial transactions.

24.6. In order to maintain the transparency, time adherence, quality standards and sustainability in public construction, the services need to be delivered through the information technology as per E-governance approach.

25. Promotion of Accountability and Integrity

25.1. To develop ethical foundation by controlling irregularities, delays, personal relation and abuse of authority, the subject of moral education need to be included in the syllabus at school level.

25.2. To develop the fiscal discipline, good conduct culture by promoting integrity and exemplary performance, an environment needs to be created to perform works with motivation, positive thinking and devotional, neutral and selfless service motive towards the works.

25.3. The occupational entrepreneurship, positive thinking and achievement should be a part and parcel of the job responsibility.

25.4. The system of making accountable and responsible the officials and manpower involved in service delivery towards the service recipients needs to be implemented.

25.5. The feedback and indicator-based work culture should be developed, and except the subjects requiring secrecy as per the laws, and the transparency and accountability should be assured in the rest of works.

25.6. Effectiveness in performances need to be brought by using the social accountability tools, such as - the social and public audit, service recipients' satisfaction survey etc.

26. Fiscal Discipline

26.1. There should be arrangements for submitting financial statements and accounts within specified time, furnishing documents and information related to the accounts, maintaining accounts as per specified formats and completing audits, and implementing the audit remarks and recommendations.

26.2. The entity-wise fiscal discipline should be maintained by determining indicators for incurring expenditure with high returns and quality standards on the basis of the approved budgets, programs and available resources etc. along with the establishment of the fiscal accountability and responsibility.

26.3. With regards to irregularities and findings witnessed by the audits in carrying out the financial transactions of the government entities, the concerned Office Chief and Responsible Officers should be held responsible.

26.4. The adherence to fiscal discipline and settlement of irregularities should be linked with the work performances and career development of employees.

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