



State Owned Enterprises Audit Directives



**Office of the Auditor General
Anamnagar, Kathmandu, Nepal
2023**

STATE OWNED ENTERPRISE AUDIT DIRECTIVES

**OFFICE OF THE AUDITOR GENERAL
ANAMNAGAR, KATHMANDU, NEPAL
2023**

Foreword

It is my immense pleasure to release the State Owned Enterprises Audit Directives of the Office of the Auditor General of Nepal. This directives will be applicable in undertaking respective financial, compliance, performance audits of the entities as per the Audit Act, 2075.

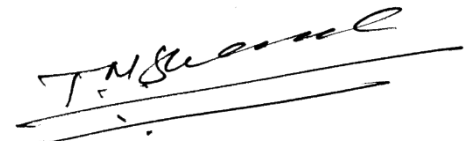
This directives provides a clear picture of methods and approaches to audit that the audit staff is required to comply with in imparting their duties. It has been built around the prevailing Audit Act, Nepal Government Auditing Standards (NGASS), and office policies that require conducting a high-quality audit. Since NGASS are based on INTOSAI framework for Professional Pronouncement (IFPP), this directives seeks to incorporate the Nepal audit practices at par with the international best practices.

This directives provides guidance and direction in all phases of the audit from pre-panning to follow-up including preparation of audit, audit process, planning, execution, reporting, follow-up with necessary annexures which encourages professional judgment where it requires. The directives does not override the legal requirements and conditions of NGASS. Likely, it shall not limit the professionalism of the officials entrusted with the responsibility of conducting audits.

Our knowledge, skill, and experience with auditing practices continue to evolve, and so will this directives. This directives is expected to be updated for the continuous improvement of audit practices to meet legal provisions, audit standards, and practices to address emerging risks.

My special thanks to all staffs who prepared the directives and provided their valuable feedback and comments to make this directives implementable which, I do hope, will be of use to conduct audits efficiently and effectively.

April 26, 2023


Tankamani Sharma, Dangal
Auditor General

List of Abbreviations

Abbreviation	Full form
AAP	Annual Audit Plan
AR	Annual Report
AG	Auditor General
ASB	Accounting Standard Board of Nepal
CA	Compliance Audit
COE	Code of Ethics
COTABD	classes of transactions, account balances, and disclosures
FA	Financial Audit
FAG	Financial Audit Guide
FCGO	Financial Comptroller General Office
GAAP	Generally accepted accounting principles
IFPP	INTOSAI Framework of Professional Procurement
IFRS	International Financial Reporting Standards
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
LG	Local Government/Authorities
NAMS	Nepal Audit Management System
NFRSs	Nepal Financial Reporting Standards
NGASs	Nepal Government Auditing Standards
NSAs	Nepal Standards on Auditing
MOF	Ministry of Finance
OAGN	Office of Auditor General Nepal
PA	Performance Audit
PARF	Public Audit Restructuring Framework
PEs	Public Enterprises
QA	Quality Assurance
RBA	Risk Based Approach
RBAF	Risk Based Auditing Framework
ROMM	Risk of Material Misstatements
SAI	Supreme Audit Institution
SAI PMF	Supreme Audit Institution Performance Management Framework
SOEs	State Owned Enterprises

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Part - I

Introduction

A. Concept

Public audit has a wider scope than limiting to the expression of audit opinion on financial statements providing reasonable assurance to the users. Since public sector involves use of public money, public audit covers other aspects of governance such as regularity, economy, efficiency and effectiveness and propriety.

Auditor General has mandate to audit only the SOE fully controlled by federal government, provincial government or local level or any entity as prescribed by federal law. For the entities having effective control of more than 50% by federal government or provincial government, Auditor General has mandate to recommend for appointing auditor for that entity. Audit act further empowers the Auditor General to determine the scope and method of audit.

According to Public Audit Restructuring Framework (PARF), OAGN may conduct financial audit (FA), Performance Audit [PA] or Compliance audit (CA). Though audit of State-Owned Enterprises (SoEs) is predominantly financial audit, aspects of performance audits and compliance audits including specific requirements of the Audit Act needs to be considered as SoEs are the part and parcel of the public sector.

1. Background

Constitutional provision of Auditor General is the main mandate for public audit. Article 241 of the Constitution of Nepal mandates Auditor General for audit based on regularity, economy, efficiency, effectiveness and propriety. Further according to Constitution of Nepal, Audit Act, 2075 and other legal provisions, Office of the Auditor General (OAGN) audits the financial transactions of entity and offices in accordance to the methods and procedures determined by the Auditor General. Auditor General has issued Nepal Government Auditing Standards that determined the audit procedures and reporting requirement including details of audit principles, documentations, follow up.

According to Nepal Government Auditing Standards, OAGN may conduct either Financial Audit (FA), Performance Audit (PA) or Compliance Audit (CA). Based on law and those standards. OAGN has developed:

- Public Audit Restructuring Framework (PARF) for identification of types of audits namely FA, PA or CA based on the respective audit objectives;
- Risk Based Auditing Framework (RBAF) to capture the material audit risk during entire auditing process of planning, execution and reporting;
- Financial Audit Manual (FAM), Performance Audit Manual (PAM) or Compliance Audit Manual (CAM) for performance of audit procedures for each of the type of audits; and
- Audit Guide(s) as supporting audit tools to implement the standards.

According to RBAF, auditors plan their audit procedures to identify the audit risks and ways to respond to those risks. For the identification of audit risk and responses, specific Sectoral Audit Guides have been developed as audit tools as follows:

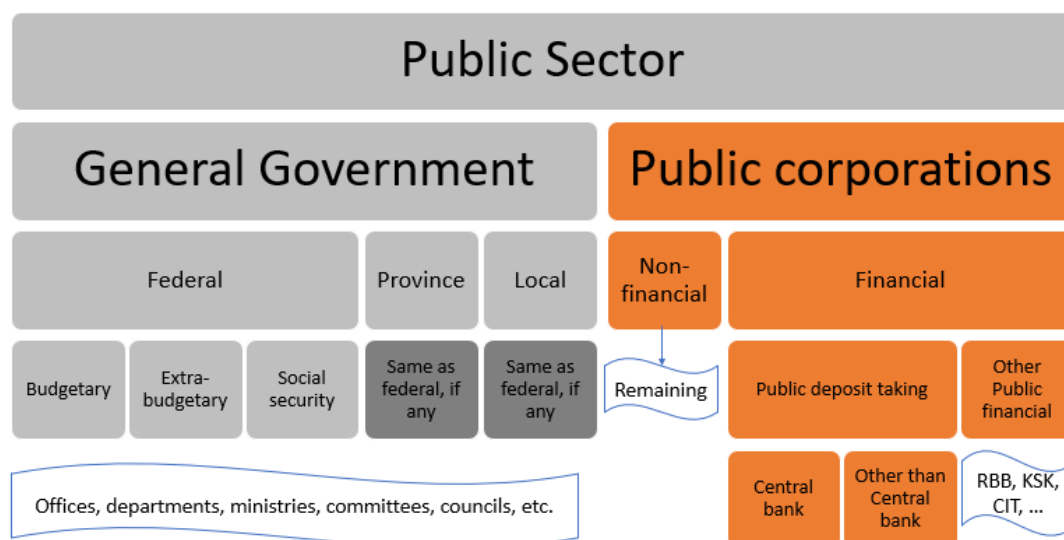
- a. Tools to evaluate the financial statements of entity or financial information of underlying offices as – Financial statement and financial information audit guide;
- b. Tools to evaluate the control system of auditee as – Financial accountability audit guide;
- c. Tools to evaluate the compliance of procurement law as –Procurement audit guide;
- d. Tools to evaluate the assessment of revenue as –Revenue audit guide;
- e. Tools to evaluate the entity-specific audit risk as –Entity- specific audit guide;
- f. Tools to evaluate the office-specific audit risk as – Office-specific audit checklist.

Public Sector – State-Owned Enterprises

For the purpose of institutional structure, public sector will have two major sub-sectors one being the general government and other being the public corporations. For the purpose of public audit, the phrase State-Owned Enterprises (SOEs) has been used to denote public corporations.

Public corporations are of following types:

- i. financial public corporations
 - a. public deposit taking financial corporations
 - i. Central bank i.e. Nepal Rastra Bank
 - ii. Corporations other than central bank i.e. Rastriya Banijya Bank, Nepal Bank Ltd., Karmachari Sanchaya Kosh, Nagarik Lagani Kosh etc.
 - b. other public financial corporations i.e. Nepal Housing Development Financial Institutions, Jalabidhyut Lagani Ltd. etc.
- ii. non-financial public corporations i.e. service sector SOEs, manufacturing SOEs and trading SOEs.



For the audit purpose, SOEs may be of following types:

- i. Fully owned SOEs - where Auditor General audits
- ii. SOEs where special law mandates the Auditor General for auditing
- iii. Substantially owned (more than 50% of ownership) SOEs - where Auditor General recommends for appointment of independent auditor

For the first two types, Auditor General may appoint any professional auditor having required certificate of practice. In the third case, auditor general recommends the name(s) of auditors to the SOEs for auditor appointment.

SOEs for the purpose of OAGN

For the OAGN, SOEs audit is somewhat different than general SOEs. OAGN has special directorate dealing SOEs audit, named as 'Corporation Audit Directorate'. The 'Corporation Audit Directorate' audits the various types of public enterprises and autonomous bodies or extra-budgetary entities:

- Public corporations
- Extra-budgetary entities allocated to the directorate

Standards on Auditing for SOEs

SOE- audit by OAGN for fully owned SOEs or audit under special mandate from OAGN personnel or through assistant appointed by the Auditor General to audit on its behalf will audit applying Nepal Government Auditing Standards (NGASs). Such audit should comply with requirements of financial audit (FA), performance audit (PA) and compliance audit (CA), as applicable.

SOE-audit by the independent auditor as recommended by the Auditor General follows the Nepal Standards on Auditing (NSAs) issued by Nepal Auditing Standards Board. The NSAs is similar to financial auditing standards followed by NGASs (ISSAI 2000-2999). Moreover, Auditor General may issue the directive or instruction to cover compliance audit or performance audit to the independent auditors to cover the scope of the public audit.

2. Priority

Public audit covers various types of situations, transactions and scenarios depending upon the institution being audited. Specific audit procedures may be designed and applied for such audits however following documents are to be used in the order of priority:

- a. Legal provisions
- b. Nepal Government Audit Standards (NGASs)
- c. Public Audit Restructuring Framework (PARF)
- d. Risk Based Audit Framework (RBAF)
- e. Audit Manual (FAG, PAG and CAG)
- f. Audit Directives

This audit directives provides the guidance and support for evaluation of SOE's financial audit applicable to the public corporation.

3. Objective of this audit directives

The objectives of this audit directives are:

- to assist OAGN on SoEs auditing by its own staff and through assistance appointed by the Auditor General
- to support the auditor by way of grouping similar issues applicable to those auditees;

- to collate issues to be reviewed by using a single audit guide. OAGN by way of this audit guide harmonises SOE audit procedure whether performed by its own staff or through external assistance;
- to assist OAGN to consolidate similar information for its reporting;
- to assist the auditees to obtain feedback from OAGN report to improve their governance procedures and practices.

Based on the changed context on either legal provision, improvement by the auditee, experience and expertise of auditor(s), associated risk on the particular type of SOE, this Audit directives needs to review at least once in a year.

4. Coverage

This directives is one of the audit directives amongst other audit directives that can be applied on financial audits, performance audits or compliance audits. As the context requires so, it can be used for concurrent audit too.

The directives covers two major aspects – review of compliances in accordance with financial reporting framework (which is mainly Nepal Financial Reporting Statements) and review of governance and performance issues relating to auditee.

This directives covers SOE specific issues applicable to FA, PA and CA.

Most of the financial audit process applicable for SOE audit is just a subset of matters covered within Financial Audit Guide, therefore, users of this audit directives need to refer to the FAG simultaneously.

5. Materiality consideration

Audit is subject to the materiality consideration¹. Every area of the audit has to be considered for associated risk of misstatements and its impact on the financial statements.

This SOE audit directives provides the guidance to conduct audit of the State-Owned Enterprises. However, auditor needs to apply professional judgement in considering the materiality of each sub-category of the SOE Financial Statements and determine the nature, extent and timing of the audit procedure.

Materiality consideration	Examples (professional judgement for the best benchmark)
Overall materiality at financial statement as a whole	Total revenue – Revenue oriented SOE
	Total sales or total cost of sales – manufacturing or trading oriented SOE
[0.5% – 2%]	Total expenditure – Expenditure/service oriented SOE

¹ Para. 4.3.1 of Financial Audit Guide

	Net revenue – revenue oriented SOE having insignificant expenditure
	Net expense – expenditure oriented SOE having insignificant revenue
	Total asset – significant property-based SOE
	Total bills and debt – banking business
Performance materiality at financial statement as a whole	Overall materiality at financial statement as a whole professionally justifiable percentage of performance materiality at financial statement as a whole
[High risk – 60%	
Medium risk – 70%	
Low risk – 80%]	
Materiality for Class Of Transactions, Account Balances or Disclosure (COTABD)	Employee benefits – SOE having special risk on employee pays Travel cost – SOE having travel-centric programs Procurement – SOE having procurement-centric program Grant – SOE dealing grant-centric programs
Component materiality	Proportionate amount of materiality either based on financial statement or COTABD
Qualitative aspect of materiality	Safeguard of assets Use/misuse of properties Record keeping status Use of discretionary powers

This directives contains the guidance for possible audit procedures to be conducted for SOE audit. It is up to the auditor to apply judgement in determining the nature and extent considering the risk and materiality.

6. Definitions

For the purpose of this audit directives, meaning of following terms are as follows:

Reasonable assurance – In order to obtain reasonable assurance, the auditor shall obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit

opinion. Reasonable assurance is obtained when the auditor has thereby reduced audit risk to an acceptably low level.

Disclosure – disclosures are the information to the extent of minimum requirement of independent user of the financial statements, consolidated financial statements or financial information, as the case may be.

Entity – entity is the legal body, which prepares financial statements or consolidated financial statements complying prevailing financial reporting framework. Entity and SOE has used interchangeably in this Audit guide.

SOE – SOE is the state-owned enterprises carrying business activities where Auditor General is auditor as per prevailing law.

Branches or underlying hierarchy – branches are department, regional offices, branch offices, sub-branches, projects or any other set up governed by SOE.

Public corporation and government business enterprises – public corporation and government business enterprises are the independent public institutions having business activities. The term 'SOE' has used for this purpose.

Part - II

SOE audit

B. Preparation for SOE audit

SOE audit is not a new stream of audit for OAGN. It is just a subset of public audit and related with financial audit. Audit procedure for ministries or underlying hierarchy (general government) and SOE or its underlying hierarchy (public corporation, SOE) is similar in all respect. Only the difference is the basis of accounting and financial reporting framework used by auditee.

As similar to audit of general government entity, SOE audit may be either financial audit, performance audit or compliance audit. However, financial audit is more in practice for audit of financial statements SOE.

Financial audit

For the financial audit (FA), subject matter is the financial statements itself. Therefore, the process for financial audit will be as similar or as per the processes described in Financial Audit Guide (FAG). All the processes need to be followed to express an audit opinion providing reasonable assurance on the financial statements that they have been prepared in accordance with the applicable financial reporting framework and legal and / or regulatory requirements. .

Performance audit

For the SOE audit as part of performance audit (PA), auditor needs to identify the subject matter based on nature, risk, materiality and public interest of the activity of the respective SOE. The processes for performance audit will be as per Performance audit guide.

Compliance audit

For the SOE audit as part of compliance audit (CA), auditor needs to identify the subject matter based on nature, risk, materiality and public interest of the authority compliance at the SoE. The processes for compliance audit will be as per Compliance audit guide.

Auditor needs to follow procedures as defined in respective audit manual during audit at SOE considering the type of audit being performed along with this audit directives.

7. Requirement for the SOE audit

For the SOE audits, whether conducted by the OAGN staff or by appointed assistant, following are the specific requirement for a SOE audit:

1. Prerequisite of financial audit:
 - a. Financial reporting framework used for preparation of financial statements is Nepal Financial Reporting Standards (NFRSs) and management's acceptance for preparation of financial statement complying with the framework. In the case of special purpose financial statement, if any, the agreement covenants for reporting.

- b. The management of the SOE acknowledges and understands its responsibility for Internal control as management deems necessary or required by law for preparation of financial statements that are free from material misstatements whether due to fraud or error;
 - c. Access of auditor to all information and person's necessary to complete the audit.
- 2. Ethical requirements
 - a. For the OAGN staff or appointed auditors need to comply the ethical requirements of OAGN Code of Ethics
 - b. For the assistant appointed by the Auditor General or their staff, they need to comply the ethical requirements of OAGN Code of Ethics as well as Code of Ethics of Institute of Chartered Accountants of Nepal. OAGN appointed auditor needs to ensure the ethical compliance and declaration for their staff. OAGN may, at any time during the engagement or post-engagement, review the ethical compliances by the appointee.
- 3. Professional Scepticism
 - a. The SOE auditor shall plan and perform an audit with professional scepticism recognising that circumstances may exist that cause the financial statements to be materially misstated;
 - b. For the SOE audits, where audit has been carried out through appointee, OAGN requires to share the past experiences, evidences, or other inputs they have gathered and available in their database to the appointee;
 - c. Appointee needs to share any information gathered during audit that may be relevant for next year(s)'s audit.
- 4. Professional judgement
 - a. The SOE auditor shall exercise professional judgment in planning and performing an audit of financial statements based on:
 - Materiality and audit risk;
 - The nature, timing and extent of audit of audit procedures;
 - Evaluating whether sufficient and appropriate audit evidence has been obtained;
 - Evaluating management's judgement in applying applicable reporting framework;
 - Drawing conclusions based on the audit evidence
 - b. For the matter identified in Annual Audit Plan of OAGN (AAP), the SOE auditor shall exercise professional judgment in planning and performing the audit of the SOE.

5. Sufficient appropriate audit evidence

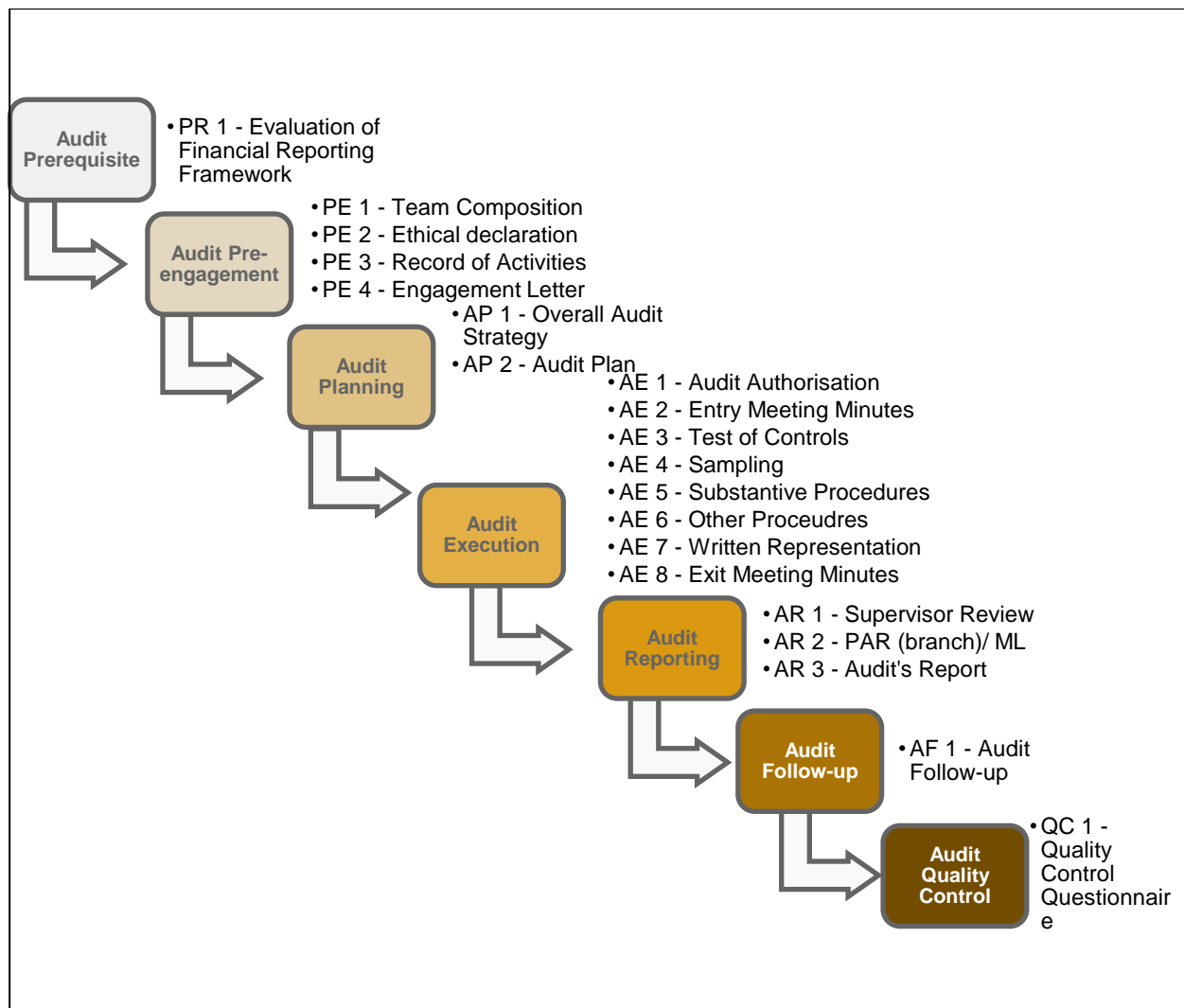
To obtain reasonable assurance, the SOE auditor shall obtain sufficient and appropriate audit evidence to reduce audit risk to an acceptable level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion;

6. Conduct of an audit in accordance with the Financial Audit Manual (FAM)

The auditor shall comply with all provisions of FAM relevant to the SOE audit. The auditor shall not represent compliance with FAM and the Nepal Government Auditing Standards (NGASs) in the auditor's report unless compliance to all the relevant requirement of the manual has been made.

8. Overview of SOE Audit Process

Following is the overview of SOE audit process reproduced from Financial Audit Guide:



Source: Financial Audit Manual

NAMS interface – NAMS follows audit process as prescribed by NGASS. Therefore, NAMS audit process covers SOE audit as above as a general process.

C. SOE Audit process

9. Audit Prerequisites

For the SOE audit by OAGN itself, the audit process and working papers are exactly same as described in Financial Audit Manual² (FAM). The detail context has not repeated here. For ease, the heads and summary of the processes are as follows:

Audit prerequisites for SOE audit will have two broad steps:

- (a) Evaluation at AAP level
- (b) Evaluating Financial Reporting Framework

Evaluation at AAP level

Based on past experience, database and other sources relevant to audit, OAGN may identify the major risk areas pertaining to particular SOE at the AAP level.

- SOE audit by OAGN itself:
 - i. Audit Risk identified at the AAP-level need to be used by the SOE auditor in the case of audit by OAGN itself;
 - ii. Risk based classification of branches under SOE shall be in accordance with FAM, RBAF and AAP
- SOE audit by appointee auditor
 - i. Risk identified at the AAP-level need to be shared with the appointee in the case of financial audit carried out by AG appointed assistant.;
 - ii. Appointee auditor needs to analyse the risk among branches and needs to submit risk-based plan to the Auditor General.

Evaluating Financial Reporting Framework

The financial reporting framework is to be adopted by the in the preparation of the financial statements. The financial reporting framework selected should be acceptable in view of the nature of the SOE and the objective of the financial statements. Financial reporting framework for public corporation is required by law and regulation applicable to the particular SOE. Currently, Nepal Financial Reporting Standards (NFRSs) is the applicable prevailing reporting framework as prescribed by Accounting Standard Board (ASB).

Auditor needs to evaluate the financial reporting framework. Since the NFRSs is the basis for financial reporting applicable to SOEs, OAGN itself may evaluate its appropriateness in the all circumstances those may appear in SOEs. However, for the voluntary standards:

- OAGN may evaluate the standards, then
 - i. use the result for the SOE audit by itself; and
 - ii. convey the result to appointed auditors; or

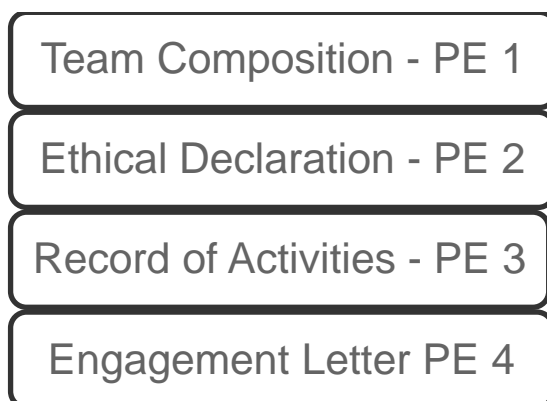
² Chapter 3 of Financial Audit Manual

- OAGN and SOE audit by appointee auditor individually evaluate the framework for their own SOE audits

For the evaluation of reporting framework, OAGN requires to use the working paper format PR1 Evaluation of financial reporting framework as given in FAG.

10. Audit Pre-engagement

Steps and working papers



Step 1 Team composition

SOE Audit by OAGN itself	Working paper FAM – PE 1
SOE audit by appointed auditor	Need to submit their team composition to OAGN showing ethical compliance and competencies relevant to SOE audit

In the first step of SOE audit, OAGN will have details of the team which is supposed to undertake the audit. The designated person responsible for the audit should form the audit team, including with external experts (if required) and ensure that collectively have the competence and capabilities those requires to perform quality SOE audit.

The names of the team allocated to the audit and their respective competencies (experience) in relation to the specific audit shall be recorded.

In the SOE audit by appointed auditor, OAGN may instruct the auditor to include appropriate personnel with competency that is required collectively.

Capacity of the audit team should be documented and signed off by the person responsible for the audit. OAGN auditors are expected to possess appropriate competence to discharge the terms of the audit and mandate under the legislations. Applicable working paper for team composition, in the case of SOE audit by OAGN itself, will be same as described in FAM.

Step 2 Ethical declaration

SOE Audit by OAGN itself	Working paper FAM- PE 2
SOE audit by appointed auditor	Need to submit declaration to OAGN by the appointee and should document declaration in their own audit file in their own format covering matters at least in FAM- PE 2

OAGN's Code of Ethics³ is aligned with ISSAI 130, Code of Ethics. The code is designed to prevent internal conflicts of interest and corruption and ensure the transparency and legality of their operations, as well as actively promoting ethical behaviour throughout the organisation. The ethical requirements cover obligations of auditors, other OAGN staff and others working on behalf of OAGN. The ethical principles in the code are

- Integrity
- Independence and Objectivity
- Competence
- Professional behaviour
- Confidentiality and Transparency

All auditors, other staff and other person(s) working on behalf of OAGN need to comply with the ethical codes and need to give compliance declaration in the manner prescribed in OAGN Code of Ethics⁴.

For the SOE auditor appointed by Auditor General:

- the appointee needs to comply the OAGN Code of Ethics as well as the COE as prescribed by professional regulator, if any
- the appointee needs to submit ethical declaration to OAGN
- the appointee should document the declarations of their staff working on SOE audit in their own format covering matters at least in FAM- PE 2

Step 3 Record of activities

SOE Audit by OAGN itself	Working paper FAM- PE 3
SOE audit by appointed auditor	Maintain themselves in the audit file

The Record of activities is the document to analyse for the planned budgeted hours (or days) for all the activities which relate, and the budgeted time allocated to each audit unit.

For the SOE audit by OAGN itself record of activities needs to be documented in the format of PE -3 as given in FAM.

For the SOE audit by appointee auditor:

- OAGN requires to maintain a high-level record of activities
- Appointed auditor will maintain a detail record of activities

Step 4 Engagement Letter

SOE Audit by OAGN itself	Working paper FAM- PE 4
SOE audit by appointed auditor	<ol style="list-style-type: none"> 1. Appointment letter to the SOE 2. Auditor will issue engagement letter as per NGASS/NSAs

³ OAGN Code of Ethics, 2020 and ISSAI 130

⁴ ISSAI 2200.14

The engagement letter is used to communicate with the auditee management regarding the objective and scope of the financial audit and the OAGN's obligations as established by the law. The engagement letter is signed by both the parties to evidence the agreement and mutual understanding on the issues communicated. SOE management and auditor should agree on the engagement letter before the audit commences to avoid any misunderstandings.

For the SOE Audit by OAGN itself, the format of engagement letter will be in the format as described in FAM PE – 4.

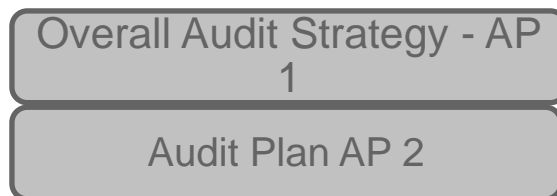
For the SOE audit by appointed auditor:

- OAGN needs to communicate the appointment of auditor as assistant to the Auditor General to the respective SOE
- If there are any instruction from Auditor General to the appointed auditor or are instructions issued by the Auditor General under Section 24 of Audit Act, 2075, appointed auditor needs to incorporate those instruction in their engagement letter, if required
- The appointed auditor will issue engagement letter as per NGASs/NSAs and agree with the respective SOE
- The copy of engagement letter needs to submit to OAGN

D. Audit Planning

For the SOE audit by OAGN itself, the audit planning process and working papers are exactly same as described in Financial Audit Manual⁵ (FAM). The detail context has not repeated here. For ease, the heads and summary of the processes are as follows:

Steps and working papers

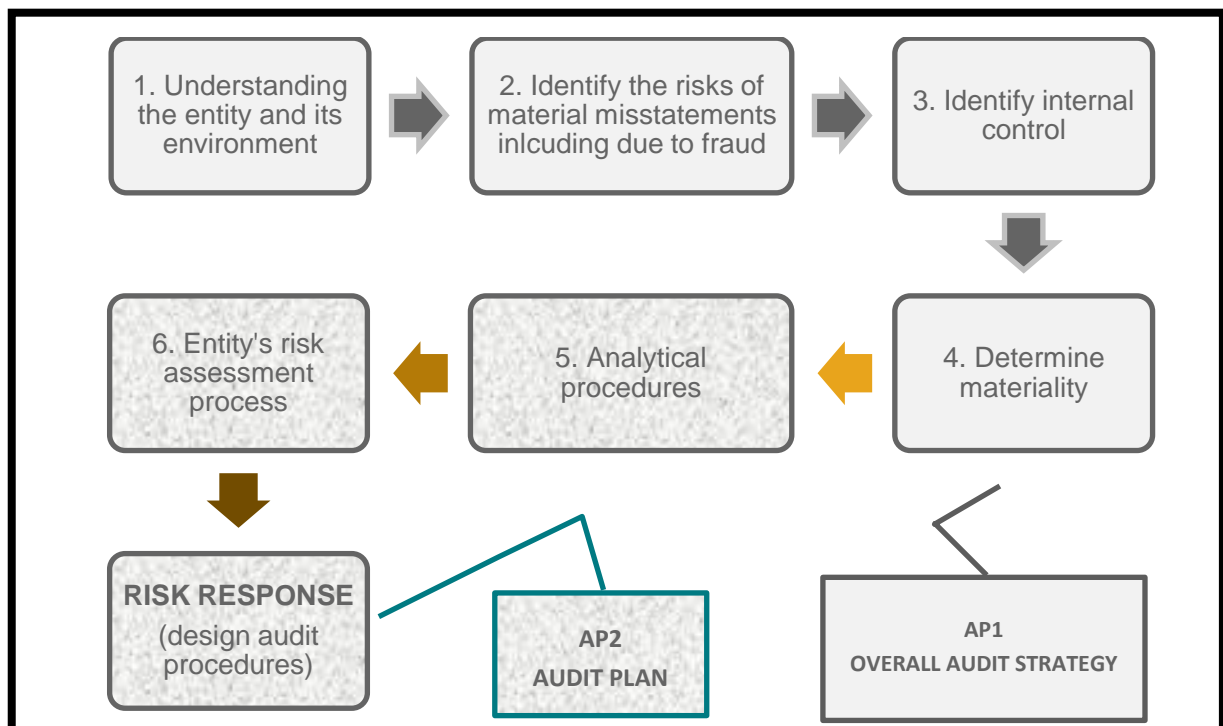


After the audit pre-engagement activities, auditor needs to perform the audit planning as the next process of audit.

Audit planning are two sub-processes as:

- The overall audit strategy; and
- The audit-plan.

The detail steps for an audit planning will be as follows:



Stepwise process for the audit plan is as follows:

⁵ Chapter 4 of Financial Audit Manual

11. Overall Audit Strategy

SOE Audit by OAGN itself	Working paper FAM- AP1
SOE audit by appointed auditor	Auditors themselves prepare the overall audit strategy and submit a copy, if instructed in the appointment letter, to OAGN

To prepare the overall audit strategy, auditor needs to perform following steps:

i. Understanding the entity and its environment

It includes, at least:

- a) Obtain and document general information about the SOE and management structure⁶
 - type of SOE that is audited;
 - addresses, contact person(s);
 - management structure, those charged with governance (key management personnel);
 - geographic locations of SOE head office and branches, if any.
- b) Understand the legal framework of the SOE⁷
 - laws or regulations which have a direct effect on the determination of material amounts and disclosures in the financial statements e.g. such as tax, retirement benefits, statutory reserves etc.;
 - laws that may not directly affect the determination of amounts in the financial statements but are fundamental to the operations of the SOE and its ability to continue its operations, or to avoid material penalties.
- c) Understand the operational environment of the SOE
 - mandate of the SOE (including sector / industry);
 - SOE's objectives and strategies;
 - new programme areas, budget constraints.
- d) Other relevant considerations
 - litigations and claims;
 - service organisations, outsourced functions⁸;
 - related parties⁹;
 - understanding the work of an expert¹⁰, if applicable.
- e) Identify the transactions and balances from the financial statements

⁶ ISSAI 2315.11

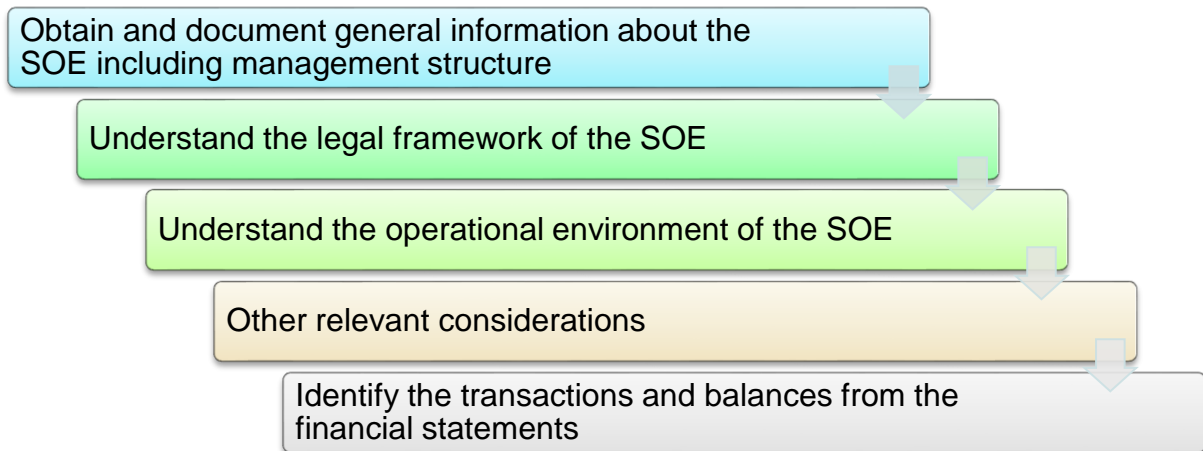
⁷ ISSAI 2250

⁸ ISSAI 2402

⁹ ISSAI 2550

¹⁰ ISSAI 2620

- identify audit components;
- identify material financial figures from sources like budgets and interim financial reports;
- identify balances of underlying financial records that can easily be traced to the final, audited financial statements.



ii. Identification of risks of material misstatements

Identification of risks of material misstatements may come from either of following three sources:

- Risk of Material Misstatements (ROMM) from the analysis of financial statement and control environment
 - Risk of Material Misstatements (ROMM) at financial statement level
 - Risk of Material Misstatements (ROMM) at the assertion level for classes of transactions, account balances, and disclosures (COTABD)
- Fraud Risk from testing the transactions
- OAGN' experience as documented in Annual Audit Plan (AAP)

Risk of Material Misstatements (ROMM) at the financial statement level, at the assertion level for classes of transactions, account balances, and disclosures (COTABD) or Fraud Risk from testing the transactions will be same as described in FAM.

iii. Identification of internal controls

Auditors should understand the audited SOE's internal controls relevant to the audit¹¹ of respective SOE. Auditors should evaluate the control environment, SOE's risk assessment process, information system, reporting and communication system, control activities or monitoring process as described in FAM.

¹¹ ISSAI 2315.12

iv. Identification of information technology (IT) environment

IT poses specific risks to an SOE's internal control¹². As part of understanding the operations of the auditee there is also a need to evaluate the IT environment.

- Identify major application systems involved in processing financial information.
- Understand how different financial and non-financial systems interlink.

v. Internal audit

SOE will have own system of internal audit as against the common internal audit of general government. The internal audit function is used by management to examine, evaluate and monitor the adequacy and effectiveness of the auditee's internal controls. Internal audit forms part of the control environment of the auditee and therefore it is important to

- Evaluate whether the work done by the internal auditors is adequate for the auditor to rely on for purposes of the audit; and
- If yes, determine the extent of planned reliance on the work of the internal auditors. The effect of this reliance on the nature, timing or extent of the auditor's work should also be assessed.

The work of the audit may be reduced placing reliance placed on the work of internal audit.

vi. Determine materiality

Materiality is relevant in all audits. A matter can be judged material if knowledge of it would be likely to influence the decisions of the intended users. Determining materiality is a matter of professional judgement and depends on the auditor's interpretation of the users' needs¹³.

Auditors should consider materiality throughout the audit process. Determination of materiality at the financial statement level or at the at the assertion level for classes of transactions, account balances and disclosures (COTABD) or component level for audit and process for determination of performance materiality or its revision for an SOE is same as described in FAM.

vii. Use of planning analytical procedures

Risk assessment procedures shall include analytical procedures¹⁴. The process of analytical procedures for SOE audit is same as described in FAM.

viii. Evaluation of SOE's risks assessment process

The auditor shall obtain an understanding of whether the SOE has a process for¹⁵:

- a) Identifying business risks relevant to financial reporting objectives;
- b) Estimating the significance of the risks;
- c) Assessing the likelihood of their occurrence; and

¹² ISSAI 2315.A64

¹³ ISSAI 2320.4

¹⁴ ISSAI 2315.6(b)

¹⁵ ISSAI 2315.15

- d) Deciding about actions to address those risks.

The SOE's risk assessment process forms the basis for how management determines the risks to be managed. If that process is appropriate to the circumstances, including the nature, size and complexity of the SOE, it assists the auditor in identifying risks of material misstatement. Appropriateness of the risk assessment process is a matter of judgment¹⁶.

ix. Format for Documentation of the Overall Audit Strategy

Consideration of the issues as defined above need to be documented by audit as:

- For the SOE audits by OAGN itself: Overall Audit Strategy (AP 1) of FAM
- For the SOE audits by appointed auditor: In the suitable format as determine by auditors themselves

x. Institutional consideration on SOE audit

Business of SOE is different than the business of general government. SOE is different than private corporate body too. Therefore, during the audit planning stage, auditor needs additional consideration on:

- Representation on general meeting and board member
 - Role of person holding representation at the general shareholders meetings or during exercising voting rights, whether the issues in line with national policy
 - Process of nomination of board members or audit committee – merit, position or arbitrary
 - The role and responsibilities comparing to institutions under corporate law.
 - Remuneration or compensation to the board member
- Relation with government
 - Mechanism for monitoring the implementation of mandates at high level
 - Mechanism for the reporting including financial reports
 - Mechanism for the identification of risk and mitigation measure
- Comparative benefits
 - Effect of special benefits and concessions to the SOE's business comparing to private competitor
 - Effect of market monopoly, policy monopoly, or similar security
- Governance as part of public institution
 - Ethical environment – comparison with general government ethical environment
 - Right to information and its implementation framework
 - Financial accountability comparing with applicable to the general government

12. Audit Plan

SOE Audit	Working paper as per FAM
SOE Audit by OAGN itself	Working paper FAM- AP2

¹⁶ ISSAI 2315.A88

SOE audit by appointed auditor	Auditors themselves prepare the audit plan and submit a copy, if instructed in the appointment letter, to OAGN
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Audit plan will have two types or stages:

- Detail audit plan at financial statement level
- Detail audit plan at branch level

i. Detail audit plan at financial statement level

Detail audit plan is the response to the assessed risks and the nature, timing and extent to be covered by the auditor during audit to achieve the audit objective. In the audit plan, on the basis of overall audit strategy, auditor identifies what is to be done during the audit execution.

The auditor shall develop a plan in the form of audit programmes or audit checklists that shall include¹⁷:

- the nature, timing and extent of planned risk assessment procedures;
- The nature timing and extent of planned further audit procedures at the assertion level;
- other planned audit procedures that are required to be carried out so that the engagement complies with the auditing standards.

In the audit plan, the auditor needs to identify the areas, which are going to be audited and the associated assertions being tested. For each assertion, the auditor is to identify the control environment. For the audit plan at the financial statement level, auditor should consider:

- the reporting framework as NFRSs;
- the legal requirement relating to financial disclosure;
- the contextual requirement relating to the business of respective SOE
- the consolidation process for the branches for the standalone financial statement
- consolidation process for the subsidiaries

a. the reporting framework as NFRSs

In the audit plan at financial level, auditor needs to check the financial statement amounts and compliance with the minimum disclosure requirements of the reporting standards. For the checking of compliance of NFRSs, auditor required to use the checklist of NFRSs compliance. These checklist needs to update in each amendment of NFRSs.

For the reference, auditor may use IFRS core tools - International GAAP® issued by Ernst & Yong attached in this audit guide under Annex - A. Using International GAAP®, following points need to be consider:

- corresponding IFRSs checklist for mandatory NFRSs for all SOEs
- corresponding IFRSs checklist for voluntary NFRSs if the SOE has applied the voluntary NFRSs for its financial reporting.

¹⁷ ISSAI 2300.9

b. the legal requirement relating to financial disclosure

In the audit plan at financial level, auditor needs to check the financial statements amounts and compliance of the minimum disclosure requirements based on legal provision applicable to financial statement. Disclosure on the basis of law may be on the basis of:

- Act, regulation, order, incorporation order or similar legal instrument that prescribed the financial reporting or disclosure (e.g Companies Act or Act specific to the SOE)
- Regulatory instructions relating to the financial reporting or disclosure
- FCGO/MOF instructions relating to the financial reporting or disclosure
- AG's instructions relating to the financial reporting or disclosure
- In rare cases of SOEs, financial statements need to be prepared based on OAG forms too.

The format for the checklist has given in Annex B.

c. the contextual requirement relating to the business of respective SOE

General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. Therefore, adequate disclosures on the financial statements are required based on the business of respective SOE. Auditor needs to develop checklist based on the contextual requirement relating to the business or industry sector.

d. the consolidation process for the branches for the standalone financial statement

In the audit plan at the financial statement level, auditor needs to prepare the plan covering how the financial information of underlying branches are consolidated at SOE level. For this activity, auditor needs to use the process described in the Other Audit Guide – FS Audit.

e. the consolidation process for the subsidiaries

In the audit plan at the financial statement level, auditor needs to prepare the plan covering how the consolidated financial statements of subsidiaries are consolidated at SOE level. For this activity, auditor needs to use IFRS core tools - International GAAP® issued by Ernst & Yong attached in this audit guide under Annex – A.

ii. Branch – level Audit Plans

Transaction level testing needs to be covered in the branches or the units under the SOE. For the testing of transactions, head office of SOE is deemed as equivalent to a branch for audit plan and execution purpose.

In the branch -level audit plan i.e. transaction level plan, auditor needs to develop following audit checklists on the basis of accounting environment of individual SOE:

- i. Administrative expense audit checklist
- ii. Expenditure (Cost of Sales) audit checklist
- iii. Income (Revenue) audit checklist
- iv. Financial Instruments audit checklist
- v. Inventory and property plant and equipment audit checklist

Procurement of SOE is govern by Public Procurement law, therefore, for the procurement issues, auditor may use Procurement Audit Guide for their audit planning and audit execution.

iii. Format for Documentation of the Overall Audit Strategy

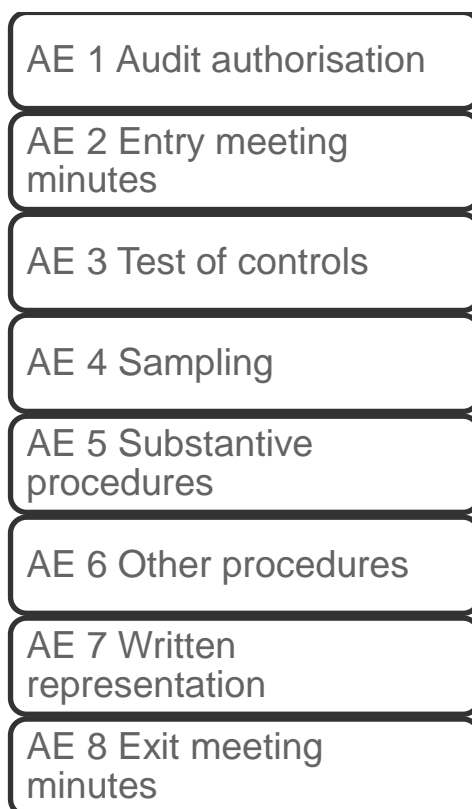
Consideration of the issues as defined above need to be documented by audit as:

- For the SOE audits by OAGN itself: Audit Plan (AP 1) of FAM
- For the SOE audits by appointed auditor: In the suitable format as determine by auditors themselves

NAMS interface – NAMS follows audit process as prescribed by NGASs. Therefore, NAMS audit process covers SOE audit as a general process. Three specific points for the SOE audit are – NFRSs checklist for financial statement audit, SOE specific audit checklist and branches as office for NAMS.

E. Audit Execution

Steps and working papers



SOE Audit	Working paper FAM
SOE Audit by OAGN itself	Working paper FAM- AE1 – AE 8
SOE audit by appointed auditor	Auditors themselves are required to develop audit execution process and document their working papers. They can use OAGN working paper if those are considered useful.

13. Field audit

For the SOE audit by OAGN itself, the audit execution process and working papers are exactly same as described in Financial Audit Manual¹⁸ (FAM). The detail context has not repeated here. For ease, the heads and processes are as follows:

- Step 1 Audit authorisation letter (AE 1)
- Step 2 Entry meeting minutes (AE 2)
- Step 3 Allocation of work
- Step 4 Test of controls (AE 3)

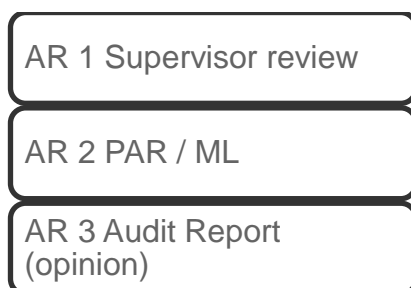
¹⁸ Chapter 5 of Financial Audit Manual

- Step 5 Changes of audit plan (audit programme / checklist) - if any
- Step 6 Audit sampling (AE 4)
- Step 7 Substantive procedures (AE 5)
- Step 8 Audit evidences
- Step 9 Other procedures (AE 6)
- Step 10 Audit queries (memos)
- Step 11 Written representation (AE 7)
- Step 12 Exit meeting minutes (AE 8)

NAMS interface – NAMS follows audit process as prescribed by NGASs. Therefore, NAMS audit process covers SOE audit as a general process.

F. Audit Reporting

Steps and working papers



SOE Audit	Working paper
SOE Audit by OAGN itself	Working paper FAM- AR1 – AR 3
SOE audit by appointed auditor	As described below

14. SOE audits by OAGN itself

For the SOE audit by OAGN itself, the audit reporting process and working papers are exactly same as described in Financial Audit Manual¹⁹ (FAM). The detail context has not repeated here. For ease, the heads and processes are as follows:

- Step 1 Evaluation of Misstatements
- Step 2 Supervisor's Review (AR 1)
- Step 3 Preliminary Audit Report / Management Letter (AR 2)
- Step 4 Forming and Opinion
- Step 5 Auditor's Report (AR 3)

15. SOE audits by appointed auditors

For the SOE audit, where the auditor is appointed assistant of the Auditor General:

- Step 1 Evaluation of Misstatements
 - Evaluate the misstatement in accordance with the auditing standards to form and opinion on the financial statements.
- Step 2 Preliminary Audit Report
 - They will issue preliminary audit report to the respective branch that has been audited with a copy to SOE head office
 - They shall issue preliminary audit report consolidating all material misstatements of the branches, units and the head office to the SOE head office with a copy to

¹⁹ Chapter 6 of Financial Audit Manual

Auditor General. In the case of any special issue, auditor may communicate the misstatement to those charge with governance with a copy to the Auditor General

Step 3 Forming an Opinion

- Before forming the audit opinion, they may discuss the matter of misstatement (or modification) with OAGN to ensure:
 - whether all the instruction by the Auditor General has complied with or not
 - Basis for opinion
 - Going Concern matters
 - Emphasis of matter paragraph
 - Key Audit Matters
 - Other Matters
 - Responsibilities for the financial statements
 - Other reporting responsibilities- “Report on other legal and regulatory requirements”
- OAGN needs to evaluate the evidences pertaining to above matters and is required to confirm the quality of evidences for forming and opinion

Step 4 Auditor’s Report (AR 3)

- Auditor will issue the Audit Report to the Auditor General as addressee
 - This report shall be considered (or based, as appropriate) by OAGN to form the final opinion to be addressed to the auditee (SOE) by OAGN.
- The format of audit report shall be as prescribed in format of Working paper AR 3 of FAM.

NAMS interface – NAMS follows audit process as prescribed by NGASs. Therefore, NAMS audit process covers SOE audit as a general process. NAMS’s office audit module will apply for branch wise preliminary audit report and responses from individual branch. Entity audit execution module will be used for forming of audit opinion at financial statement level.

G. Audit Follow-up²⁰

OAGN's should have effective follow-up mechanisms and report on its recommendations to ensure that the audited entities/offices / branches properly address the audit observations and recommendations as well as those made by the Legislature. OAGN's follow-up procedures allow for the auditee to provide information on corrective measures taken or why corrective actions were not taken.

Follow-up focuses on whether the auditee has adequately addressed the matters raised by the audit, including any wider implications. Insufficient or unsatisfactory action taken by the auditee may call for a further report by OAGN. Besides statutory requirements, one of the purposes of conducting financial audits is to help improve the systems and procedures including the financial reporting process in the SOE/office.

By conducting follow-up, OAGN will also be able to establish value addition by way of financial audit in terms of improvements introduced in the system. Unless follow-up is put in practice, OAGN cannot gauge whether the desired impact of audit has been effective or not. Therefore, a follow-up is one of the important components of the audit process, and that audit process cannot be complete without it. Further, even management and those charged with governance may not be motivated to take action if there is no follow-up system in OAGN.

16. Audit follow-up of branch audit findings

For the audit observation of a branch under an SOE, OAGN is required to perform audit follow-up on the audit observation pending from previous years during audit of current year. Any pending issue, if still pertains, impairs the financial statement for the current year need to take into account for forming the audit opinion.

17. Audit follow-up of SOE report

Follow up in SOE audit may be of two types:

- i. Audit follow- up of the matters that were the basis for opinion in case of modification of audit opinion

Audit follow- up of the matters that were the basis for opinion in case of modification of audit opinion needs to be reviewed during the audit of following year under audit of opening balances. Any pending material issues, those may be material needs to be incorporated in the basis of opinion for the current year audit report.

- ii. Audit follow – up of the matters those were included in the Auditor General's Annual report

Audit follow – up of the matters those were included in the Auditor General's Annual report requires to review in accordance with the provision of Financial Procedure and Financial Accountability Act, 2076.

²⁰ Chapter 7 of Financial Audit Manual

18. Quality control and quality assurance

In each level of audit viz. planning, execution, reporting and follow up, auditor needs to ensure the quality control system as prescribed in the standards, frameworks and manuals. The quality control procedures and Quality assurance program for an SOE audit is same as described in Financial Audit Manual²¹.

²¹ Chapter 8 of Financial Audit Manual

Annexures

Annex A: IFRS core tools - International GAAP®

Attached separately.

Annex B: Legal disclosure checklist

Sl.	Issues	Observation
1.	Auditor needs to evaluate whether financial statements has adequate disclosure as required by the Act, regulation, order, incorporation order or similar legal instrument that has been prescribed for the financial reporting and disclosures	
2.	Auditor needs to evaluate whether financial statements has adequate disclosure on the basis of regulatory instructions relating to the financial reporting or disclosures (in case of SOE operating under specific regulatory environment)	
3.	Auditor needs to evaluate whether financial statements have adequate disclosures on the basis of FCGO/MOF instructions relating to the financial reporting or disclosure (if applicable)	
4.	Auditor needs to evaluate whether financial statements has adequate disclosures on the basis of AG's instructions relating to the financial reporting or disclosures	
5.	Auditor needs to evaluate whether the legal requirement as prescribed by the Company ²² Act, 2063 fulfilled during the audit	

²² Subsection (3) of Section 115 of Company Act, 2063:

(3) The audit report as referred to in Sub-section (2) shall also indicate the following matters, inter alia:

(a) Whether such information and explanations have been made available as were required for the completion of audit;

(b) Whether the books of account as required by this Act have been properly maintained by the company in a manner to reflect the real affairs of its business;

(c) Whether the balance sheet, profit and loss account and cash flow statements received have been prepared in compliance with the accounting standards prescribed under the prevailing law and whether such statements are in agreement with the books of account maintained by the company;

(d) Whether, in the opinion of the auditor based on the explanations and information made available in the course of auditing, the present balance sheet properly reflects the financial situation of the company, and the profit and loss account and cash flow statement for the year ended on the same date properly reflect the profit and loss, cash flow of the company, respectively;

(e) Whether the board of directors or any representative or any employee has acted contrary to law or misappropriated any property of the company or caused any loss or damage to the company or not;

(f) whether any accounting fraud has been committed in the company

(g) Suggestion, if any.

Annex C: Example of Risk area (to be identified at AAP level or Audit plan level)

Generally applicable to all SOEs

1. Ownership and control related –
 - a. Review of representation process
 - i. Competencies of the government representation in the general meeting or in the board
 - ii. Remuneration for those appointed persons
 - iii. Ethical environment for those appointed persons including oath and disclosure of conflicts of interest
 - iv. Existence of annual disclosure of conflicts of interest
 - b. Review of appointment process for Chief Executive Officer or similar person
 - c. Review of training including induction training to the board members and other person representing from the government
2. Independency related–
 - a. Review of managerial independency from line ministry or government department having substantial control over
 - b. Review of effects from special benefits or restrictions on the business of SOE
 - c. Review of additional governance issues those to be followed by SOE comparing with other corporate companies
3. SOE objectives
 - a. Review of strategic plan, master plan, business plan and comparison with
 - i. Legal mandate of SOE
 - ii. National periodic development plan
 - iii. National annual development plan
 - b. Review of progress on those plans whether achieved satisfactory or not
4. Review of organizational structure of SOE
 - a. Evaluation of appropriateness with SOE objectives and mandate
 - b. Evaluation of appropriateness of hierarchical staffing with nature and size of SOE business
 - c. Evaluation of job-descriptions of individual working in each section of the organization
 - d. Evaluation of personnel policy and procedures including posting, transfer, training, promotion
 - e. Evaluation of internal checking systems and their effectiveness
 - f. Evaluation of role and responsibilities or effectiveness of authority with accountability
5. Review of use of information technology (IT) in the SOE process
 - a. Review of impact of IT in the process in terms of
 - i. Reduction in manpower strength or increment in the size of activities
 - ii. Improvement in timeliness of the service
 - iii. Improvement in quality of the service
 - b. Review of cost-benefit using IT in the process
 - c. Review of competitiveness using IT
6. Review of internal audit
 - a. Existence of internal audit and type of audits
 - b. Independency of internal audit with the management
 - c. Use of internal audit standards during internal audit
 - d. implementation of internal audit report
7. Review of Standard Operating Procedures (SOPs)
 - a. Existence of SOPs including sector-wise SOPs
 - b. Compliance with SOPs and monitoring mechanisms

- c. Method of preparation of non-compliance report or exception reports and their disposal
- 8. Review of budgeting, planning, monitoring and evaluation procedures
 - a. Existence of strategic plan/periodic master plan
 - b. Alignment of annual plan with that strategic plan/periodic master plan
 - c. Timing of annual budgeting and planning, whether before starting of fiscal year or in-between
 - d. Existence of review during execution (monthly or quarterly or mid-term evaluation)
 - e. Authority of implementation of budget and planning after approval (or case to case control by the board)
 - f. Evaluation of correlation of SOE objective Vs. periodic plan Vs. annual plan Vs. progress achieved
- 9. Review of financial assistances to SOE
 - a. Evaluation of indicators of service delivery using the governmental financial assistances in terms of either grant, loan or guarantees
 - b. Evaluation of effect of conditional or unconditional operational grant
 - c. Evaluation of effect of conditional or unconditional capital grant or loan
 - d. Evaluation of effect from guarantee from the government
 - e. Evaluation of public disclosure of financial assistances from the government
- 10. Review of procurement process (see procurement audit guide)
- 11. Review of cash and treasury management
 - a. Existence of cash and treasury management policies
 - b. Evaluation of short-term investments in the case of short-term treasury position
 - c. Compliance with the cash and treasury management policies
- 12. Review of accounting, reporting and compliance
 - a. Existence of accounting manual
 - b. Existence of reporting procedures (forms, time, authority)
 - c. Publication of financial reports including interim financial reports
 - d. Compliance status of accounting and reporting
- 13. Review of SOE governance environment
 - a. Timeliness of audit report
 - b. Right to information
 - c. Compliance with Good governance law
 - d. Compliance with governance directives issued by the federal government if any
 - e. Compliance with Public Account Committee or other parliamentary committee instructions
 - f. Publication of financial reports and SOE business reports as general transparency to the public
- 14. Review of financial indicators and safeguards
 - a. Evaluation of legal title, existence of assets, up to date records, sufficiently secure and safeguarding, continuity of the benefits from:
 - i. SOE properties
 - ii. SOE physical assets and equipment
 - iii. SOE financial assets (advances, outstanding, deposits, investments, treasury)
 - b. Evaluation of obligations
 - i. Sufficiency of retirement fund and effectiveness of the fund management
 - ii. Sufficiency of compliance with general liability including contract payment and tax liability
 - c. Evaluation of pending cases
 - i. Adequacy of appearance in the court cases including quality of presentation
 - ii. Adequacy of appearance in the arbitration cases including quality of presentation

SOE-specific

1. Nepal Airlines

Review of Business plan for air-business

- General business plan
- Sector-wise business plan

Review of management of spare part, repair and correlation with grounded plane

- General management
- Aero plane specific management

Management of targeted flight-hour

- General achievement
- Aero plane specific achievement
- Sector specific achievement
- Evaluation of cost-benefit

Management of ticketing and reservation

- Market sharing and effect on competitiveness
- Use of IT and effect on competitiveness

Review of cost control measures

- Cost control measures on flight
- Cost control measures on ground handling
- Cost control measures on repairs and maintenance
- Cost control measures of overhead cost

Review of code sharing agreements

- Evaluation of targeted benefit and achieved benefit
- Evaluation of strategic benefits

Auction of grounded aeroplane

- Cost benefit analysis

Review of ground-handling business

- Cost benefit analysis

2. Nepal Civil Aviation Authority

Recovery of long-outstanding
Inter-branch reconciliation
Bank-reconciliation
Settlement of long-outstanding L/c, advances etc.
Recovery from airlines and arrears
Infrastructure development and management
Airport construction plan as compare to master plan
Construction management
Compliance of terms of contracts
Determination modality on compensation to the land acquisition or other acquisition

3. Nepal Transport and Godam management company

Evaluation of income from undertaking and its management
Evaluation of income from clearing-forwarding and its management

4. Security Board of Nepal

Effectiveness and weaknesses of regulating activity on security issue
Effectiveness and weaknesses of regulating activity on mediators and their monitoring
Effectiveness and weaknesses of regulating activity on market makers and their monitoring
Effectiveness and weaknesses of regulating activity on security issue, mediators, market makers and their monitoring

5. Nepal Television Corporation

Satellite frequency and transponder
Quality of transmitter receiver
Use of equipment
Advertisement management and recovery

6. Nepal Tourism Board

Recovery of long-outstanding
Bank-reconciliation
Settlement of long-outstanding L/c, advances etc.

Tourism promotion program and achievement
Benchmarking on the expenditure and compliance

7. Nepal Telecom Authority

Frequency distribution policy
Frequency duty and royalty
Revenue arrear and recovery
Quality from service provider and monitoring
Designatory facilities
Use of available fund
Renew and permission fees
Inter-connection issues and management
Monitoring of service charge from licensee

Annex D: List of working papers from Financial Audit Manual

Sl.	WP no.	WP Name	Objectives of the working paper	Completed at
Ch 1 Audit Process - Pre-requisites				
1	PR 1	Evaluation of financial reporting framework	Provide appropriateness of financial reporting framework	Office
Ch 2 Audit Process - Pre-engagement				
2	PE 1	Team composition	Assign, direct, supervise, monitor audits	Office
3	PE 2	Ethical declaration	Auditors comply with the ethical requirements	Office
4	PE 3	Record of activities	Budgeted vs actual time for audit processes	Office
5	PE 4	Engagement letter	Understanding roles and responsibilities	Office
Ch 3 Audit Process – Audit Planning				
6	AP 1	Overall Audit Strategy	Overall audit plan from FS perspective	Office
7	AP 2	Audit plan	Outline nature, timing and extent of audit	Office & Field
Ch 4 Audit Process – Audit Execution				
8	AE 1	Audit authorisation letter	Legal authority to represent the AG	Field
9	AE 2	Entry meeting minutes	Discussing roles and initiating audit	Field
10	AE 3	Test of controls	To determine the extent of reliance on controls	Field
11	AE 4	Sampling	To select items to be tested for audit assertions	Field
12	AE 5	Substantive procedures	Test of detail for obtaining evidenced	Field
13	AE 6	Other procedures	Procedures required under standards	Field
14	AE 7	Written representation	Auditee's confirmation to its responsibilities	Field
15	AE 8	Exit meeting minutes	To discuss audit observations	Field
Ch 5 Audit Process – Audit Reporting				
16	AR 1	Supervisor review	To assess that standard procedures are complied	Office/Field
17	AR 2	Preliminary audit report / ML	Formally convey audit findings	Field
18	AR 3	Audit report (opinion)	Express opinion on financial statements	Office
Ch 6 Audit Process – Audit Follow-up				
19	AF 1	Audit Follow-up	To follow up on audit findings, past and present	Office/ Field
Ch 7 Audit Process – Quality Control				
20	QC 1	Quality control questionnaire	Ensure that quality is maintained in audit	Office



महालेखापरीक्षकको कार्यालय Office of the Auditor General

बबरमहल, काठमाडौं, नेपाल
Babar Mahal, Kathmandu, Nepal

नीति योजना तथा जनशक्ति विकास महानिर्देशनालय



पत्र संख्या २०७७/७८ च नं ०३

मिति २०७७/४/१६



विषय नेपाल सरकारी लेखापरीक्षण मानको कार्यान्वयन सम्बन्धमा

नेपाल
२०१६

श्री सबै विभागहरु

श्री सबै महानिर्देशनालयहरु

श्री सबै निर्देशनालयहरु

महालेखापरीक्षकको कार्यालय ।

उपरोक्त सम्बन्धमा लेखापरीक्षण ऐन, २०७५ को दफा २९ ले दिएको अधिकार प्रयोग गरी महालेखापरीक्षकले गर्ने लेखापरीक्षणलाई वस्तुपरक, विश्वसनीय र भरपर्दो बनाई लेखापरीक्षणको गुणस्तर अभिवृद्धि गर्न साविकमा स्वीकृत भएका सरकारी लेखापरीक्षण मानदण्ड एवं सरकारी लेखापरीक्षण नीति मानदण्ड खारेज गरी सर्वोच्च लेखापरीक्षण संस्थाहरुको अन्तर्राष्ट्रिय संगठनले जारी गरेका अन्तर्राष्ट्रिय लेखापरीक्षण मान (INTOSAI Framework for Professional Pronouncements, IFPP) मा आधारित "नेपाल सरकारी लेखापरीक्षण मान" (Nepal Government Auditing Standards, NGAS) २०७७/४/१६ मा स्वीकृत गरिएको छ । अतः कार्यालयबाट यस वर्षदेखि लेखापरीक्षण गर्दा तपसिलका नेपाल सरकारी लेखापरीक्षण मानको कार्यान्वयन गर्नु हुन अनुरोध छ ।

तपसिल

NGAS नम्बर	नेपाल सरकारी लेखापरीक्षणमानको नाम
INTOSAI-P 1	The Lima Declaration
INTOSAI-P 10	Mexico Declaration on SAI Independence
INTOSAI-P 12	The Value and Benefits of Supreme Audit Institutions- making a difference in a life of citizens
INTOSAI-P 20	Principles of Transparency and Accountability
ISSAI 100	Fundamental Principles of Public-Sector Auditing
ISSAI 130	Code of Ethics
ISSAI 140	Quality Control for SAIs
ISSAI 200-299	Financial Audit Principles
ISSAI 300-399	Performance Audit Principles
ISSAI 400-499	Compliance Audit Principles
ISSAI 2000-2899	Financial Audit Standards
ISSAI 3000-3899	Performance Audit Standards
ISSAI 4000-4899	Compliance Audit Standards

जानकारीको लागि

माननीय महालेखापरीक्षकज्यू ।

भवदीय

(घनश्याम पराजुली)

नायव महालेखा परीक्षक

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