



**SAI Performance Report  
of the Office of the Auditor General of Nepal**

**Prepared by  
The State Audit Office of the Kingdom of  
Thailand  
August 2021**



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22 September B.E. 2564 (2021)

Excellency,

**Subject:** SAI PMF final report

On behalf of the State Audit Office of the Kingdom of Thailand, I have the honor to conduct a peer assessment of your organization's performance. As a result, I am delighted to present you with the SAI performance report. The report has been prepared based on the 2016 Supreme Audit Institution Performance Measurement Framework (SAI PMF) methodology. Furthermore, although the Covid-19 pandemic caused challenges and limitations, the assessment team has conducted the assessment with the highest standard and quality under excellent cooperation.

Finally, I am convinced that, under Your Excellency's able guidance, the relations and collaboration happily existing between the Office of the Auditor-General Nepal and the State Audit Office of the Kingdom of Thailand will progressively continue to expand and strengthen in the years ahead for our mutual benefits.

Accept, Excellency, the assurances of my highest consideration.

Prajuck Boonyoung  
Auditor General

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## Executive Summary

This report is the results of the Office of the Auditor General of Nepal (OAGN)'s performance assessment conducted by the State Audit Office of the Kingdom of Thailand in 2020. The assessment was conducted based on the Supreme Audit Institution Performance Measurement Framework (SAI PMF). The guidance aims to assess the operation of SAI and strengths and weaknesses against the International Standards of Supreme Audit Institutions (ISSAI), best practices, manuals, and tools established by INTOSAI.

The assessment was conducted as a peer assessment by the State Audit Office of the Kingdom of Thailand (SAO). The methodology used in the evaluation is based on SAI PMF 2016 version. The framework consists of 6 Domains, including

- A: Independence and Legal Framework;
- B: Internal Governance and Ethics;
- C: Audit Quality and Reporting;
- D: Financial Management, Assets and Support Services;
- E: Human Resources and Training;
- F: Communication and Stakeholder Management.

Within these Domains, there are 25 indicators and 2-4 dimensions in each indicator. The most detailed part is a criterion by which the assessment also takes place. Once all the requirements are examined, the assessors can score the dimensions. Subsequently, the scored dimensions are sorted and then referred to the scoring table to determine the indicator's scores.

The SAI PMF scores range from 0 to 4, where 0 means most criteria are not met while four means otherwise. For the dimension level, OAGN obtained every score spectrum. The scores were ranged from 2 to 4, in which the majority fell in 3 and 4. According to SAI PMF guidance, a score of 3 and 4 means the established and managed levels, respectively.

Seven indicators are receiving the highest score of 4, including;

1. **SAI-2 Mandate of the SAI** - OAGN has power, by the Constitution and Audit Act, to audit public expenses, access auditees' databases, and independently report audit findings.
2. **SAI-4 Organizational Control Environment** – OAGN has developed a Code of Ethics based on ISSAI 130, and there is also a committee for monitoring the Code of Ethics implementation. Proper internal control system is already in place, although the internal audit was conducted by an internal taskforce. OAGN also has QC and QA for both audit and non-audit activities.
3. **SAI-5 Outsourced Audits** - OAGN has a straightforward process for selecting a contracted auditor. There is also a responsible unit that deals with quality control and quality assurance of the outsourced auditors
4. **SAI-7 Overall Audit Planning** - The audit planning process is well documented with a sufficient monitoring mechanism. The plan is also based on the risk assessment and includes necessary elements.
5. **SAI-8 Audit Coverage** - OAGN conducts comprehensive audits covering many valuable areas. Risks and stakeholders' expectations are taken into accounts when analyzing and selecting audit areas to respond to maximize the expected impact.
6. **SAI-21 Financial Management, Assets and Support Services** - OAGN has adequate financial resources, assets, and well-managed support services to function effectively. Although OAGN's building is under the construction, proper plans for managing and using its assets, infrastructure, and equipment are in place.
7. **SAI-23 Professional Development and Training** – OAGN has systematic HRD processes for FA, PA, and CA.

The assessment team also provided concerns regarding the performance of OAGN. Those issues were taken into account when analyzing the underlying causes. As a result, the assessment team found that institutional factors, such as rules and regulations governing the operation of OAGN, can potentially be strengthened in order to completely meet the desired capacity as required by the International Standard of Supreme Audit Institutions (ISSAIs). More details will be elaborated in Section C - Integrated assessment of SAI Performance. Furthermore, Section C also clearly presents the impact of OAGN on Nepal's public financial management system.

OAGN has demonstrated its significant value and benefits, as a SAI, following the INTOSAI-P 12. Credible international indicators, including Corruption Perception Index (CPI) and Open Budget Index (OBI), were used to ensure OAGN's impacts.

Lastly, OAGN has already prepared itself with several capacity development programs to meet stakeholders' expectations and emerging challenges. Internal and external supports are in place as the organization implements the Moscow Declaration adopted by the 23<sup>rd</sup> INCOSAI held in 2019. OAGN also extends cooperation among SAIs to enhance organizational capacity.



## Independent Review Statement

As a cooperation between two distinguished Supreme Audit Institutions, the head of the Office of Auditor General of Nepal kindly requested the State Audit Office of the Kingdom of Thailand to conduct the SAI PMF assessment for his organization on the 21<sup>st</sup> of September 2020.

This performance report (PR) was prepared by the SAI PMF team consisting of Mr. Pannuchit Posayanonda (Team Leader), Mr. Chinnapong Trakuldist, and Mr. Kamonpat Pinsuwan. The team has appropriate knowledge and experience in auditing, planning, administration, and laws. They also were trained by IDI.

The independent review (IR) process and the reviewer were selected and agreed from both organizations, and were included in the Terms of Reference.

In compliance with recommended SAI PMF methodology, the Head of the Office of Auditor General of Nepal received the draft report for review and official comment with the objective of ensuring that the report is factually correct.

Mr. Pitikhun Nilthanom, Senior Auditor, is responsible for the IR as he was not involved in the SAI PMF assessment. He has considerable experience and knowledge about auditing and how SAIs operate. The objective of this review was to ensure that the SAI PMF methodology had been adhered to, that the evidence in the SAI-PR was sufficient to justify the indicator scores, that the analysis was consistent with the evidence, and that the executive summary was consistent with the analysis in the rest of the SAI-PR. The review concluded that all objectives have been satisfactorily met in the final report dated November 2020.

Significant matters raised during the independent review process have been addressed in this version of the SAI-PR.



Prepared by Mr. Pitikhun Nilthanom

Date: 9<sup>th</sup> August 2021

## **Observations on the SAI's Performance and Impact**

### **I. Integrated assessment of SAI Performance**

Among 22 indicators, there are 20 concerned issues regarding the performance of OAGN. The assessors have already discussed these issues with the representatives of OAGN for further clarification and explanation. Therefore, the details of each concern and its clarification will be further elaborated in Chapter 4. However, since the purpose of this section is to present the integrated analysis of precisely what the underlying causes of these concerns are, the assessors have to illustrate those concerns briefly. Additionally, the brief also helps readers to follow the logic of the analysis easily as well

For Domain A, there are seven concerns in SAI-1: Independence of SAI regarding the appropriate and effective constitutional framework, financial independence, organizational independence, and independence of the head of the SAI and its members. Also, there is another concern in SAI-2: Mandate of the SAI about accessibility to information.

For Domain B, there are six concerns in SAI-3: Strategic Planning Cycle regarding the strategic plan's content and the operational plan, and monitoring and performance reporting. Moreover, there are three concerns in SAI-4: Organizational Control Environment about the internal control environment and internal control system. There is also another concern in SAI-6: Leadership and Internal Communication which is about Leadership.

There is only one concern in SAI-21 of Domain D: Financial Management, Assets, and Support Services regarding the OAGN's financial management.

For Domain E, there are three concerns in SAI-22: Human Resource Management regarding the function of HR, HR strategy, and remuneration, promotion, and staff welfare. Additionally, there is another concern in SAI-23: Professional Development and Training about the compliance audit professional development and training.

For Domain F, there are four concerns in SAI-24: Communication with the Legislature, Executive and Judiciary regarding the communications strategy, and good practice for communicating with the judiciary, prosecuting, and investigating agencies. There is another concern in SAI-25: Communication with the Media, Citizens, and Civil Society Organizations, which is about good practice for communicating with citizens and civil society organizations.

After realizing these concerns, the assessors conducted the root-cause analysis to extract the main root affecting the performance of OAGN. The assessors found that these issues have something in common by applying the five whys approach and the fishbone diagram. Institutional factors, such as rules and regulations governing the operation of OAGN, can be improved to support the expected capacity as required by the International Standard of Supreme Audit Institutions (ISSAIs). In other words, human resource and financial independence and the traditional organization structure are the challenging factors that OAGN has been encountering. The assessors apply the 4 M's framework to understand better this statement, including man, money, material, and management.

### **Man**

As per the provision of the Civil Service Act, 1992 (2049 BS), the Public Service Commission (PSC), Ministry of Federal Affairs (as central personnel agency), and Ministry of Finance (as service operating agency) are responsible for managing all government entities' HR processes, including recruitment, remuneration, promotion, and staff welfare. Therefore, OAGN's HR management also depends on the works of these agencies. This condition provides OAGN both opportunities and challenges. On the one hand, the HR management processes are carried out efficiently and effectively, as shown in the scores of Indicators SAI-22. However, on the other hand, not managing its staff, especially in recruitment, could cause crucial concerns to OAGN. Moreover, as stakeholders expect OAGN to conduct more sophisticated audits or be relevant to the citizens, the organization needs specialists or experts in those areas.

The needs of experts are not only about audit staff. Instead, the non-audit staff is also essential. For example, staff with public administration backgrounds trained in strategic management and planning are very beneficial when developing a strategic plan since they understand the underlying concepts, purposes, and relationships among those variables.

Moreover, the legal staff is also essential for every public organization under the Civil Law system, where the laws determine the organization's mandates and roles. The legal team is even more critical when the organization wants to engage with other stakeholders to draft more definite rules or regulations. They can also interpret laws and regulations to prepare more supportive legal documents that promote internal requirements and meet international standards. Furthermore, HR

staff are also necessary for OAGN if the organization wants to strive for ethical issues as prescribed in the ISSAI 130.

In addition to non-audit staff, as the SAI is expected to carry out more specific audits, such as scientific- or technological-related topics, the SAI needs experts who understand both auditing nature and those particular areas to efficiently and effectively conduct the audits. Outsourcing is also an option, but the outsourced staff's quality and sustainability must be considered for considering this approach.

The lack of experts mentioned above might lead to incomplete knowledge development in the organization, which eventually causes misunderstanding when the organization wants to apply it. Therefore, preliminary operations, including, but not limited to, the lack of some strategic plan elements and non-SMART KPIs, might be occurred.

### **Money and Material**

Both money and material are the primary resources for every organization. Therefore, the underlying logic can be explained in the same manner.

Similar to human resource independence, financial independence is also crucial for managing the SAI. Even though most SAIs, if not all, are dependent on their national budget for carrying out the operations, some SAIs have sufficient budgets while others are facing limited resources. The lack of resources could be mitigated if the SAIs can appeal for more money. However, OAGN does not have this ability. In other words, the allocated budget is fixed, and OAGN cannot ask for more since there is no supportive provision in the laws. Furthermore, in some situations, the Executive branch can even interfere with the budget allocated to OAGN, which causes severe problems to its independence.

The lack of resources can potentially deter and affect other dimensions. For example, SAIs cannot hire more staff, procure better equipment, or effectively launch initiative activities as planned because the budget was allocated only for regular activities. Therefore, financial independence is interrelated to both man and management aspects.

## **Management**

A supportive organizational structure is necessary for an SAI to align with international standards and perform dynamic contexts efficiently. During the past ten years, there have been many changes regarding the contexts and expectations of SAIs. For example, as sustainable development goals (SDGs) become a significant auditing trend, many SAIs emphasize auditing preparedness and implementation of their Government to achieve the goals. Moreover, as mentioned in the Moscow Declaration, SAIs are encouraged to apply science and technology into their operation, both audit and non-audit activities. Furthermore, there is a new framework for INTOSAI for classifying and categorizing the international standards and guidance.

In addition to the changes in international contexts, there is also an attempt for changes by OAGN itself. For example, OAGN recognizes the importance of compliance audit (CA) and is likely to conduct more CA or promote accountability and transparency, as stated in INTOSAI-P 12.

However, the current organizational structure of OAGN has been established, at least since 2018. Without SAI-specific organizational studies and re-organization, the traditional structure does not effectively and efficiently support the expected functions as mentioned above. Consequently, some functions are not completely operated. For example, since there is no responsible unit (most often HR functions) dealing with ethical issues as required by the ISSAI 130. In the meantime, CA is a part of FA and relies on the FA manual. However, it should align with the international standards (ISSAI-400 and develop more advanced CA-special audits, such as investigative audit, public procurement audit, revenue audit, corruption prevention audit, etc. Additionally, the Public Service Commission was not taken into account when developing the communication strategy.

The lack of SAI-specific organizational studies could lead to misunderstanding and overlooking when designing the organizational structure or planning for the workforce. As a result, some positions, both audit and non-audit staff will be omitted. Eventually, some essential functions or tasks cannot be well developed as OAGN has planned.

In conclusion, the root cause analysis showed the institutional factors that regulate how the organization operates. These factors can be conceptualized into Man, Money, Material, and Management parts. Lastly, these aspects are interrelated, so one aspect can affect the others.

## **II. The Value and Benefits of Supreme Audit Institutions - making a difference to the lives of Citizens**

During the past decade, there have been many challenging situations affecting citizens' lives, especially the pandemic of Covid-19. As the outbreak is spread out across the world, many countries, if not all, have been managing to control and mitigate the situation by using both social and economic measures, which potentially compromise the performance of public financial Management (PFM) in their countries.

The Office of Auditor General of Nepal (OAGN), as a Supreme Audit Institution of Nepal, has played a crucial role in safeguarding accountability and transparency in Nepal's PFM, which eventually makes a difference in Nepali citizens' lives. Therefore, from the perspective of external stakeholders, the assessment team realizes that OAGN has provided society its value and benefits, as described in INTOSAI-P 12, in three aspects. These aspects consist of (a) strengthening the accountability, transparency, and integrity of government and public sector entities, (b) demonstrating ongoing relevance to citizens, Parliament, and other stakeholders, and (c) being a model organization through leading by example.

### **1. Strengthening the accountability, transparency, and integrity of government and public sector entities**

Every year, Transparency International (TI), an organization aiming at preventing corruption and promoting transparency, accountability, and integrity, publishes its report regarding the ranking of perception of public sector corruption called "Corruption Perception Index (CPI)." The index considers 16 various surveys and assessments from 12 credible institutions to analyze and come up with the ranking of approximately 180 countries sequenced by their scores.

Interestingly, in January 2021, Nepal scored 33 out of 100, six scores greater than eight years ago. Furthermore, Nepal was also considered a "Significant Improver" by TI because of this impressive improvement.

As a Supreme Audit Institution of Nepal, OAGN has recognized the importance of preventing and deterring corruption. OAGN also participated in the SAI Fighting Corruption project arranged by INTOSAI Development Initiatives (IDI). Altogether, OAGN plays a vital role in this successful progress against corruption in the country. Both audit and non-audit products are proved valuable and can indeed strengthen good governance in the public sectors.

## **2. Demonstrating ongoing relevance to citizens, Parliament, and other stakeholders**

The concept of flexibility, agility, and resilience of SAIs has been considerably promoted, especially during the pandemic of Covid-19, to increase the responsiveness and relevance to the citizens' needs. Many SAIs have adopted and applied these approaches to their traditional audit methodology. Some establish an agile audit team, while others take advantage of the advancement of science and technology.

OAGN has recognized the necessity of being relevant to stakeholders, even before the pandemic. Therefore, OAGN decided to engage with civil society organizations (CSO) in many ways. As explained in the Citizen Participation Audit manual, OAGN provides capacity building to CSO's representatives to participate in auditing processes. For example, CSOs can provide auditors information about the misuse of resources or monitor audit recommendations provided by OAGN. They can also disseminate audit reports by simplifying the reports so that citizens can easily understand them. Lastly, in addition to being responsive to the citizens' needs, this collaboration can increase the impact of audit reports and eventually contribute to an increase of awareness among public sectors about accountability.

## **3. Being a model organization through leading by example**

Another interesting index ensuring that OAGN is a model organization is the Open Budget Index by International Budget Partnership, especially in the budget oversight part. The Open Budget Index (OBI) measures a country's transparency by evaluating the budget processes in three essential areas: budget transparency, public participation, and budget oversight. The budget oversight is composed of two dimensions, legislative oversight and audit oversight.

In 2019, Nepal got 78 out of 100 scores in the audit oversight part, meaning that Nepal had an adequate budget oversight from the audit mechanism. It was 75 and 78 in 2015 and 2017, respectively.

One of the main reasons contributing to the high score is reflexed in the result of Domain C. In other words, As OAGN gets high scores in Domain C (Mostly 3 and 4), it means that OAGN's audit performance, including FA, PA, and CA, are all undertaken following the principles of INTOSAI Standards and Guidance. They are at the managed level. Consequently, high-standard audit practices lead to high-quality audit reports. OAGN also has an active engagement with the Public Accounts Committee (PAC) so that audit reports and audit recommendations are used effectively.

### **III. Analysis of the SAI's capacity development efforts and prospects for further improvement**

There are three types of capacity development efforts in OAGN. Firstly, the organization considers capacity development as one of the highest priorities. The strategic plan 2016-2020 clearly emphasizes this issue in its strategic imperative 3, in which staff is motivated to improve themselves continuously. The office of Policy Planning and Human Resource Development was established to provide regular professional training and workshops to OAGN's staff. The staff is also encouraged to participate in relevant capacity development programs conducted by other governmental and regulatory agencies in Nepal. Secondly, as a member of the INTOSAI community, OAGN is regularly invited to participate in capacity development programs organized by INTOSAI, IDI, ASOSAI, and other SAI. Since the pandemic of Covid-19 was spread out in 2019, OAGN has actively attended several e-learning courses and development programs conducted through virtual conference platforms. Lastly, OAGN has established cooperation with domestic and international organizations, such as SAIs and donors, in the form of a Memorandum of Understanding (MoU) and technical support to enhance organizational capacity.

As OAGN has actively participated in the international community to share valuable knowledge and experiences about auditing in Nepal and be a member of the ASOSAI Governing Board, the prospective strategic move of OAGN will be aligned with the Moscow Declaration. Furthermore, OAGN has already emphasized the concept of auditors of the future and ICT auditing in many potential platforms to remain relevant and continue making a difference in the lives of Nepali citizens.

#### **SAI Management Use of Assessment Results**

OAGN has ownership and the right to decide on sharing and any publication of the assessment results. Primarily, SAI PMF results will be used as inputs for developing the 4th Strategic Plan of OAGN. Additionally, results will be used to frame the capacity development of SAI staff and institutional reform interventions. Some of the results may be used as progress indicators of currently operated projects for Strengthening OAGN funded by the Multi-Donor Trust Fund (MDTF).



## Chapter 1 Introduction

As OAGN is preparing for developing the 4th strategic plan, SAI PMF results are considerably useful as inputs for potential strengths and weaknesses. The assessment provides qualitative and quantitative feedback so that SAI could understand its strengths and weaknesses, including the underlying causes of their performances. In this context, the head of SAI Nepal requested SAI of Thailand to conduct the assessment. Subsequently, the SAI of Thailand agreed to conduct a peer assessment of SAI Nepal following the SAI PMF methodology, an INTOSAI tool for SAIs performance measurement. For this purpose of the assessment, a peer review approach was chosen and agreed upon by both SAIs.

The assessment covers the performances (Audits and other mandated functions) of SAI Nepal for the fiscal year of 2019/2020 and any previous years as required by the assessment methodology. The fiscal year in Nepal usually starts on 16 July and ends on 15 July every year. As to the audit function, SAI Nepal conducts financial, performance, and compliance audits. Financial and compliance audits are usually conducted in combinations. Besides, SAI conducts, occasionally/ or regularly, subject-specific special audits such as environmental audits, Information technology audit, SDG audits. Due to a lack of enough and competent staff forces, SAI makes use of practicing chartered accountants to conduct audits of state-owned enterprises. SAI is also mandated to recommend the substantially owned enterprises in the appointment of their statutory auditors. In terms of coverage of governance structure, SAI Nepal conducts audits of all three tiers of Government; federal, provincial, and local. Furthermore, since OAGN is a centralized organization, only the central office is subject to the assessment. Our assessment found that SAI Nepal is not assigned any unusual responsibilities in its mandate.

The assessment team from SAO, collectively, possesses the necessary experience and qualifications. They have sufficient knowledge of SAI PMF, the audit types, and the IFPP framework, particularly the ISSAIs. The Team leader is IDI Certified SAI PMF Assessor and has the necessary skills to conduct SAI performance assessments based on SAP PMF.

The SAI PMF assessment team consists of staffs as follows:

- |    |                               |             |
|----|-------------------------------|-------------|
| 1. | Mr. Sutthi Suntranurak, Ph.D. | Consultant  |
| 2. | Mr. Pannuchit Posayanonda     | Team Leader |
| 3. | Mr. Chinnapong Trakuldist     | Team Member |
| 4. | Mr. Kamonpat Pinsuwan         | Team Member |

Team Leader, Mr. Posayanonda, conducted the first level of quality control, and Dr. Sutthi Suntharanurak, the Director of the International Affairs Office, conducted the draft report's quality assurance. For the independent review process, Mr. Pitikhun Nilthanom, an auditor at, Senior Professional Level, conducted the independent review of the assessment report using his appropriate skills and knowledge.

## Chapter 2 Methodology

The assessment was conducted following the Supreme Audit Institution Performance Measurement Framework (SAI PMF; an INTOSAI endorsed performance measurement tool for SAIs). The framework consists of 6 Domains, namely, A: Independence and Legal Framework, B: Internal Governance and Ethics, C: Audit Quality and Reporting, D: Financial Management, Assets and Support Services, E: Human Resources and Training, and F: Communication and Stakeholder Management. The assessment shall be objective and evidence-based by complying with the procedures as prescribed in the framework.

The primary sources of evidence include, but are not limited to, related Laws, Rules and Regulations, Standards, Manuals, good practices, and responsible persons' interviews. The SAO assessment team reviewed the audit universe being conducted by the OAGN. It used the appropriate sample size to appropriately represent the audits undertaken by OAGN during the assessment period. More particularly, the assessment team was intended to use a cluster sampling technique for acquiring the potential audit offices for each audit type and then randomly select audit samples from those offices. By applying this technique, the assessors could obtain sufficient samples and mitigated biases caused by many audit files.

Consequently, the assessment team primarily intended to review ten Audit samples in which six were Financial Audits, two performance audits, and the rest related to compliance audits. All the procedures showed clarity and were disclosed for accountability and transparency of the assessment. The SAI itself conducted factual quality assurance review of the report, and quality control for evaluation from planning to reporting stage was the primary responsibility of the SAI of Thailand,

The SAI PMF report was prepared in the English language. As most of the audit evidence and documentations of SAI Nepal were in the Nepali language, thus SAI Nepal made arrangements to translate the required documents into English as per the request of the assessment team.

Under the AG and senior management of OAGN decision whether to make the report public or not. The assessment team shall observe the confidentiality measures all the time, during, or after the assessment.

*As an alternative methodology:*

At the time of preparing and finalizing this ToR, we were already affected by COVID-19. Consequently, international travel restrictions and limited permission of public gathers and related executive health orders were already imposed. We had initially thought that the COVID-19 impact would reduce, and international travel and public gathering would be permitted. However, the Corona impact lasted for a long time. Consequently, we were unable to travel to Nepal and conducted an assessment on site physically. So, both parties agreed to use the virtual platforms for meetings, interviews, and other communications. Required documents were made available in a digital and scanned form to the assessors and exchanged via email and other suitable means and discussed accordingly in a virtual platform.

### **Chapter 3 Country and SAI Background Information**

The Office of the Auditor General of Nepal (OAGN) is a supreme audit institution of Nepal as enshrined in the Constitution. It receives its independence and mandate from Constitutions, and they are further detailed in the Audit Act 2019.

As per the Constitution of Nepal, OAGN is mandated to conduct audits of all government offices (Federal, provincial and local), including the constitutional bodies, security agencies, and courts, according to the law with due regards to the regularity, economy, efficiency, effectiveness, and propriety thereof. OAGN has been further tasked to conduct audits of state-owned enterprises and other agencies as prescribed in federal laws. In addition, OAGN conducts financial, compliance, and performance audits, including special audits such as environmental, information technology, etc.

OAGN's organizational structure is similar to the Westminster type of SAI. As per the Constitutional provision, the Auditor General (AG) submits its annual report to the President of Nepal. In the case of provinces, the AG submits a report to the chief of the province. Audit reports relating to Local Levels are submitted to respective local levels. Those reports are deliberated in respective committees of parliament/ or assembly.

The setup of central agencies involved in public financial Management (PFM) is consisted of several parties. The main actors are the Ministry of Finance (MoF), the Financial Comptroller General's Office (FCGO), the National Planning Commission (NPC), the Public Procurement Monitoring Office (PPMO), and OAGN. In provinces, the Ministry of Economic Affairs and Planning (MoEAP) and Provincial Accounts Controllers offices are set up. In addition, local levels have their in-house planning, accounting, and internal auditing functions.

The NPC at the federal level plays a significant role in periodic planning and monitoring national programs. The NPC is in charge of development planning and has a role in most other activities that collectively determine the Government's medium-term policy stance, most notably the Medium-Term Expenditure Framework (MTEF). In addition, provincial governments have their Policy and Planning Commissions.

OAGN has committed to promoting integrity, accountability, and transparency in the public sector through quality audit services. Following the principles of accountability and transparency, OAGN has decided to have its second peer review based on methodology as prescribed by internationally accepted performance measurement tool, the SAI PMF (Supreme Audit Institutions Performance Measurement Framework, 2016). OAGN was reviewed by the Comptroller and Auditor General of India in 2014. OAGN's current strategic plan (2016-20) and Auditor General's Action plan (2017-23) include an activity of repeated performance assessment. This peer review is conducted by the State Audit Office of the Kingdom of Thailand (SAO).

Senior Management of OAGN, including the honorable Auditor General, assumes the responsibility and ownership of this assessment. The Assessment facilitation team led by Assistant Auditor General Mr. Chandra Kanta Bhandari was formed. The facilitation team inc Director such Mr. Ramesh Dhakal and Director Mr. Satya Narayan Thapa, and also audit officers Ms. Sirjana Rimal and Mr. Nilkantha Chapagai as members.

## Chapter 4 Assessment of the SAI's Performance

### 4.1 DOMAIN A: Independence and Legal Framework

Domain A covers two indicators, including the independence and the mandate of OAGN. This domain aims to consider the institutional basis for the OAGN's operations to understand how OAGN has been performing as an organization. It is recognized that the OAGN's independence and legal framework are not directly under the control of the OAGN itself since other state powers determine the legal framework. This domain has nevertheless been included in the SAI PMF because the OAGN's independence and legal framework significantly contribute to its effectiveness.

Domain A: Independence and legal framework		Dimensions				Overall score
Indicator	Name	i	ii	iii	Iv	
SAI - 1	Independence of the SAI	3	2	3	3	3
SAI - 2	Mandate of the SAI	4	3	4		4

#### 4.1.1 SAI-1 Independence of the SAI

SAI-1 measures the degree of independence enjoyed by the OAGN by assessing the key aspects of independence set out in the Lima Declaration (INTOSAI-P 1) and the Mexico Declaration (INTOSAI-P 10).

SAI-1 evaluates the Constitutional and the more detailed legal framework of the SAI and measures the degree of independence enjoyed by the SAI by assessing the key aspects of independence identified by INTOSAI members themselves through the Lima Declaration (INTOSAI-P 1) and the Mexico Declaration (INTOSAI-P 10).

The indicator consists of four dimensions as below, Scores by each exhibited below:

#### 4.1.1.1 Assessment Scores by Dimension

Dimension	Score
(i) Appropriate and Effective Constitutional Framework.	3
(ii) Financial Independence / Autonomy.	2
(iii) Organizational Independence / Autonomy.	3
(iv) Independence of the Head of SAI and its Officials.	3
<b>Overall Score</b>	<b>3</b>

#### Dimension (i) Appropriate and Effective Constitutional Framework

The Constitution of Nepal 2015, Part 22, Article 240 clearly defines Nepal's Auditor General (AG) establishment. Article 241 provides for functions, duties, and powers of the Auditor General. As per Article 241, the Auditor General is empowered to audit all government offices, including Federal, Provincial, and Local level government, following the law having due regard, among other things, the regularity, economy, efficiency, effectiveness, and propriety thereof.

With the recommendation of the Constitutional Council and Parliamentary hearings, the Auditor General is appointed by the President. The term, eligibility criteria for appointment, conditions for removal, remuneration for AG are also clearly defined in the Constitution. Article 294 explains the responsibility of the AG for submitting the annual report to the President and Chief of the Province.

As per the provision of the Constitution and the Audit Act 2019, OAGN can report on any matters that may affect their ability to perform their work. Regularly, OAGN submits an annual report that includes issues affecting the OAGN's ability to perform works and an intermittent report as the AG feels important in critical national issues.

To promote security and maintain an appropriate and effective constitutional, statutory or legal framework, AG has issued a 6-year action plan for systematically performing the activities concerning the improvement in organizational structure and working system, physical



infrastructure, human resource management, staff facility, and relation, improvement of the audit procedure and quality audit management, institutional relations and communication. Furthermore, the third Strategic Plan of OAGN (2016 - 2020) also clearly defines the activities for promoting, securing, and maintaining the effective implementation of SAI's constitutional, statutory or legal framework through 4 strategic imperatives.

However, even though the Constitution has clear provisions about the establishment of the Auditor General and functions, duties, and powers, it does not explicitly mention the independence of the AG. Additionally, there is no legal protection stated by a supreme court's judgment against any interference with an AG's independence. The detailed assessment by each criterion under this dimension are exhibited below:

#### 4.1.1.2 Assessment Findings

<b>SAI-1 Independence of SAI</b>		
<b>Dimensions</b>	<b>Findings</b>	<b>Score</b>
(i) Appropriate and effective constitutional framework	<p><b>Criteria a, b, c, d, f, and g are met.</b></p> <ul style="list-style-type: none"> <li>• The Constitution has clear provisions about the establishment of the Auditor General and functions, duties, and powers that guarantee independence as a Supreme Audit Institution.</li> <li>• Eligibility criteria for appointment, term, remuneration, and conditions of services, and AG's removal are clearly defined.</li> <li>• AG can submit an annual report and also intermittent report as and when AG feels important in any critical national issue.</li> <li>• AG has issued a 6-year action plan for systematically performing his obligations.</li> <li>• The third Strategic Plan of OAGN also clearly defines the activities for promoting, securing, and</li> </ul>	3

		<p>maintaining the effective implementation of the constitutional, statutory or legal framework.</p> <p><b>Criteria e is not met because there is no legal protection by a supreme court's judgment.</b></p>	
(ii)	Financial Independence / Autonomy	<p><b>Criteria a, b, d, and g are met.</b></p> <ul style="list-style-type: none"> <li>• The Constitution explicitly determines the remuneration and other facilities of AG and administrative expenses of AG's office.</li> <li>• The Parliament approves the OAGN's budget.</li> <li>• OAGN can use the funds allotted in different budget headings as administrative expenses, program expenses, etc.</li> <li>• There are no cases of undue interference within the past three years.</li> </ul> <p><b>Criteria c, e, and f are not met.</b></p> <ul style="list-style-type: none"> <li>• OAGN prepares its budget within the given ceiling by the National Planning Commission.</li> <li>• Financial management is not independent of the Executive.</li> <li>• There is no provision to direct appeal.</li> </ul>	2
(iii)	Organizational Independence / Autonomy	<p><b>Criteria b, c, e, f, and g are met.</b></p> <ul style="list-style-type: none"> <li>• There is not any direction or interference to OAG and its Management from the Legislature or the Executive.</li> <li>• AG has the power to determine rules and procedures for managing OAGN.</li> <li>• AG can communicate audit results to the executives directly, and AG is accountable to Parliament.</li> </ul>	3

	<ul style="list-style-type: none"> <li>• The parliamentary Committee may monitor and evaluate constitutional bodies' reports and activities and give direction and suggestions.</li> <li>• AG can hire experts as needed.</li> </ul> <p><b>Criteria a and d are not met.</b></p> <ul style="list-style-type: none"> <li>• OAGN has no organizational and staffing independence.</li> <li>• Employees are selected by the Public Service Commission and appointed by executives.</li> </ul>	
(iv) Independence of the Head of the SAI and its members	<p><b>Criteria a, b, d, e, and f are met.</b></p> <ul style="list-style-type: none"> <li>• The appointment of AG, tenure, eligibility criteria, qualification, remuneration, and conditions for the services are clearly described in the Constitution.</li> <li>• The AG has six years of fixed tenure until reaching 65 and cannot be reappointed.</li> <li>• There is no gap of tenure within the past three years.</li> <li>• The process of AG appointment is transparent and ensures independence.</li> <li>• There are no cases where the AG was removed.</li> </ul> <p><b>Criteria c and g are not met.</b></p> <ul style="list-style-type: none"> <li>• AG is not immune to any prosecution.</li> <li>• Audit staff are not influenced by audited organizations but are still dependent on them in some cases.</li> </ul>	3

### Dimension (ii) Financial Independence / Autonomy.

The Constitution, Article 118, explicitly determines that the remuneration and other Auditor General facilities and administrative expenses are directly charged to the Consolidated Fund.

As per Article 119, the Finance minister submits the estimated national budget, which includes the budget of OAGN, to the Parliament for approval. After parliamentary discussion, the national budget is approved by Parliament. OAGN can use the funds allotted in different budget headings, including but not limited to administrative expenses and program expenses.

OAGN also needs to comply and follow the financial Act, rules, and regulations applicable to all other government entities. Lastly, there are no undue interference cases to OAGN from the Executive within the past three years.

However, OAGN has to prepare its budget within the ceiling given by the National Planning Commission. After submitting the budget proposal to the Ministry of Finance (MoF), the budget discussion finalizes the budget as per overall budget guidelines. Therefore, OAGN is not free to propose its budget nor independent from the Executive. The Executive can still control the situation. Lastly, if the allocated budget is inadequate, there is no provision for OAGN to direct appeal.

### Dimension (iii) Organizational Independence / Autonomy.

In practice, OAGN is independent of direction or interference from the Legislature or the Executive regarding the organizational management of the office. As per the provision of the Audit Act 2019, AG can enforce Audit standards, guidelines, and procedures in line with Prevailing laws and the International Standard of Supreme Audit Institutions (ISSAIs).

As per Section 28 of the Audit Act, The Auditor General may, in consultation with the Government of Nepal, frame necessary rules for implementing this Act. Such regulations shall come into force from the date of publication in the Nepal Gazette.

The relationship between the OAGN and the Legislature, and the Executive is clearly defined in the legal framework. AG can communicate with the executives directly regarding the audit results. However, for other matters, OAGN can engage with the Executive and Legislature through MoF. According to the Constitution, Article 293, the head and other constitutional bodies

are responsible and accountable to the federal Parliament. The parliamentary Committee may monitor and evaluate constitutional bodies' reports and activities and give direction and suggestions. Furthermore, the Audit Act also determines that the Auditor General's annual report must be made public and disseminated immediately after submission to the President of Nepal. Lastly, as per the audit Act, Section 15, AG can hire experts as needed and determine the remuneration and other facilities to the hired expert.

On the other hand, as per the Audit Act Section 18, AG cannot establish the federal and provincial offices as needed. The Government shall approve the organizational structure and positions of employees of Nepal. Furthermore, as per the Civil Service Act 1993, there is a Nepal Audit Service. All staff are appointed as per the Public Service Commission (PSC) recommendation and cannot be transferred to other services or agencies. PSC is responsible for recruiting, promoting, and other disciplinary actions, so all OAGN's employees are selected by the PSC and appointed by the Executive (Ministry of Finance). The Government must approve the Organization and Management survey of Nepal in consultation with AG. Likewise, the budgetary framework must also be approved by the Ministry of Finance. The terms and conditions of staff are following the Civil Service Act. AG approves only the work description. Therefore, OAGN does not have organizational and staffing independence.

#### Dimension (iv) Independence of the Head of the SAI and its members

Article 240 of the Constitution explains the appointment of AG, tenure, eligibility criteria, qualification, remuneration, and terms of conditions for the services. The President appoints AG with the recommendation of the constitutional council and parliamentary hearing. AG has a 6-year fixed tenure, until and unless reaching the age of 65, with no reappointment and is not eligible to other government services, but can be involved in political appointment, research, or similar tasks.

There is also a removal condition in the Constitution. In impeachment, two-thirds of the majority is required in the Parliament to request the removal. During the past three years, there have not been any cases where AG was removed, nor a gap in AG's tenure.

The process of AG appointment is transparent as described in the Constitution. There are clear process and eligibility criteria for AG appointment, in which the President appoints the AG

as per the recommendation of the Constitutional Council and approval from parliamentary hearing.

On the other hand, as per the Constitution, the constitutional body head or members are not immune to any prosecution. Article 23 clearly defines that after the impeachment of constitutional body heads and members, they may be investigated for such prosecution after dismissal from their post. Additionally, as described previously, the audit staff are governed by the Civil Service Act and recruited through the open competitive process conducted by the Public Service Commission. A separate Code of Conduct for audit staff and all resources for audit are managed by the audit office. So, audit staff are not influenced by audited entities but are still dependent on those organizations. In other words, the staff is appointed by the Ministry of Finance (MoF) as MoF allots financial resources, and the Government distributes scholarships for employees. The performance evaluation of higher-level officials is made by the Committee comprising the representative of the executive ministries. In addition, Assistant Auditor General's and Deputy Auditor General's performance evaluation is made by the Chief Secretary of the Government.

### **Overall Impression on SAI-1**

**The assessment team would like to highlight the following issues relating to this indicator. Assessed responses for these issues are also provided.**

1. The word of Independence of SAI/AG should be spelled out in the Constitution.
2. There is no legal protection by a supreme court's judgment against any interference with an AG's independence.
3. The budget was prepared within the given ceiling by the National Planning Commission.
4. Financial Management is not independent of the Executive.
5. There is no provision to direct appeal.
6. OAGN does not have completely organizational and staffing independence.
7. The constitutional body head or members are not immune to any prosecution.

**Clarification from OAGN****To issue No. 1**

Article 240 of the Constitution provides for the appointment process, a fixed term of AG, qualifications, remuneration, and conditions of services. No alteration to those conditions makes it disadvantageous to AG and grounds on which AG can be removed or post deemed vacant.

Article 241 provides the details on the entities to be audited and how they should be audited, access to books and accounts, and other required information, as well as AG's other functions, duties, and power.

Article 101 of the Constitution provides for the removal of AG from the post following the procedure of impeachment, which is similar to the procedures applicable to the judges of the supreme court.

Under Article 118 (d), the amount required as remuneration and facilities payable to the AG, and under Article 118(f), the administrative expenses of AG's office is chargeable to the consolidated federal fund, and most importantly, approval of the Federal Parliament shall not be required for such expenditures.

**In light of the above constitutional provisions, there is an appropriate and effective constitutional framework regarding the AG.**

**To issue No. 2**

Regarding legal protection by the supreme court's judgment against any interference with an AG's independence, the SAI can file a case in constitutional court for any interference in its constitutional role and responsibilities by any other parties under Article 133 and 137 of the Constitution.

**To issue No. 7**

There is no specific provision relating to AG in the Constitution regarding legal immunity. However, under section 16 of the Audit Act, 2019, no employee shall be held responsible for any loss or error resulting in the normal course of audit following the applicable standards and the audit plan.

**4.1.2 SAI-2 Mandate of the SAI**

The indicator aims to assess the operational powers vested in the OAGN through the legal framework. OAGN needs to be sufficiently empowered by a legal framework that establishes the roles.

The indicator is separated into three dimensions:

- (i) Sufficiently Broad Mandate
- (ii) Access to Information
- (iii) Right and Obligation to Report

**Dimension (i) Sufficiently Broad Mandate**

As per the Constitution, Article 241, the Auditor General can carry out the audit of all government offices, including Federal, Provincial and local level government based on "Regularity, Economic, Efficiency, Effectiveness, and Propriety." There is no restriction to access in account or document of the auditee. Furthermore, section 7 of the Audit Act states that the Auditor General has the power to audit all kinds of grants and assistance and has the autonomy to select audit issues, planning, conducting, reporting, and follow up of audit.

Occasionally, when there are concerns regarding the audit arrangements for any public financial operations that are not within the mandate, the AG may include such matters in the annual report. Consequently, the Public Account Committee may direct to the Government of Nepal.



During the past three years, OAGN has not been given and has not taken any tasks that influence its mandate's independence, nor had any cases of interference in selecting audit clients or subjects.

#### Dimension (ii) Access to Information

As per the Constitution, Article 241(3), the AG and staff of OAGN have the power to access all kinds of documents of accounts, and the office chief must submit such documents to get audited if they demand. Likewise, Section 12 of the Audit Act clearly defines the unrestricted right to access the documents for the audit. Moreover, Section 8 also provides the right to collect information, evidence, and documents to form audit opinions as defined in the audit standards.

As per the Audit Act, Section 12 and 24, AG may give direction to the concerned authority and entity for regularization of account and to submit documents or accounts for audit. However, when such information and documents are not submitted for audit, as per section 25, AG may write to those authorities for legal action for such cases, and OAGN also includes some serious cases in the annual report.

The annual audit plan clearly defined that every central level office should provide an audit room on their premises. Furthermore, in the case of fieldwork, there is a right to access the premises of audited bodies as necessary.

However, If information is hindered, AG does not have the power to charge a fine or sanction any hindrance.

#### Dimension (iii) Right and Obligation to Report

As per the Constitution, Article 294(1) & (3), the AG has the power to submit an annual report independently. As per the Audit Act, Section 19 (6), the AG may submit the report at any time, as he feels that there may be a misuse of the national resources or immediate action is needed to prevent the misuse of resources. Section 19 (7) of the Audit Act also determines that the annual report should be published immediately after submitting the annual report to the President and Province Chief.

As per the Audit Act, Section 19 (1), the content of an annual audit report includes;

- (a.) Activities performed within the year;

- (b.) Major audit findings;
- (c.) Audit recommendation, implementation status, and areas for future improvement;
- (d.) Other relevant issues.

During the past three years, there has been no interference in the decisions on the content of its audit reports, nor interference in the SAI's efforts to publish its audit reports.

**The assessment team would like to highlight the following issue relating to this indicator. Assessed responses for these issues are also provided.**

8. There is no given power to charge a fine or sanction any hindrance.

**Clarification from OAGN to issue No. 8**

Although OAGN does not have the power of sanction against those hindering the information, under Section 25 of the Audit Act, 2019, OAGN may write to the concerned entity to take departmental action against those hindering the information right.

**4.1.2.1 Assessment Scores by Dimension**

<b>Dimension</b>	<b>Score</b>
(i) Sufficiently Broad Mandate.	4
(ii) Access to Information.	3
(iii) Right and Obligation to Report.	4
<b>Overall Score</b>	<b>4</b>

## 4.1.2.2 Assessment Findings

SAI-2 Mandate of the SAI		
Dimensions	Findings	Score
(i) Sufficiently Broad Mandate	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• The Auditor General can audit all government offices, including Federal, Provincial and Local level government.</li> <li>• There is no restriction to access in account or document of the auditee.</li> <li>• The AG can audit all kinds of grants and assistance and select audit issues, planning, conducting, reporting, and following the audit.</li> <li>• The AG can include concerns regarding the audit arrangements for any public financial operations in the annual report.</li> <li>• OAGN has not been given or has not taken any tasks which influence the independence of its mandate, nor had any cases of interference in the process of selection of audit clients or subjects.</li> </ul>	4
(ii) Access to Information	<p><b>Criteria a, b, c, and e, are met.</b></p> <ul style="list-style-type: none"> <li>• The AG and OAGN's staff have the power to access all kinds of documents.</li> <li>• OAGN has the right to decide which information it needs for its audits.</li> <li>• AG can write to the concerned authority for legal action in the case of not providing information.</li> <li>• OAGN's staff have the right to access the premises of audited bodies.</li> </ul>	3

	<b>Criteria d is not met because if the information is hindered, the AG does not have the power to charge a fine or sanction any hindrance.</b>	
(iii) Right and Obligation to Report	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• The AG has the power to submit an annual report independently.</li> <li>• The annual report should be published immediately after submitting it to the President and Province Chief.</li> <li>• The AG can submit the report at any time.</li> <li>• The AG is free to decide the content and timing of the audit reports.</li> <li>• There has been no interference in the decisions on its audit reports' content or interference in the SAI's efforts to publish its audit reports.</li> </ul>	4

#### 4.2 DOMAIN B: Internal Governance and Ethics

This domain measures the overall performance in the area of internal governance and ethics of OAGN. It seeks to give a holistic understanding of the organizational level's efforts, strengths, and weaknesses. The indicators measured in Domain B reflect the OAGN's foundations for conducting its activities.

Domain B: Internal Governance and Ethics		Dimensions				Overall score
Indicator	Name	i	ii	iii	Iv	
SAI – 3	Strategic Planning Cycle	4	3	4	3	3
SAI – 4	Organizational Control Environment	4	3	4	4	4
SAI – 5	Outsourced Audits	4	4	3		4
SAI – 6	Leadership and Internal Communication	3	4			3

SAI – 7	Overall Audit Planning	4	4			4
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#### 4.2.1 SAI-3 Strategic Planning Cycle

The OAGN's strategic plan (SP) 2016-2020 provides direction to staff and conveys key messages and purposes to external stakeholders. Accordingly, stakeholders' expectations and emerging risks should be considered during the planning process and the institutional environment in which OAGN is operating. Also, when possible, the SP should incorporate approaches to strengthen this environment.

The objectives set in the strategic plan should be operationalized in the OAGN's operational plan.

Additionally, OAGN should have efficient and effective mechanisms for planning both the strategic plan and operational plan and monitoring and reporting its performance. Furthermore, the operational planning will naturally coincide with overall audit planning.

The indicator is separated into four dimensions:

- i. Content of the Strategic Plan
- ii. Content of the Annual Plan / Operational Plan
- iii. Organizational Planning Process
- iv. Monitoring and Performance Reporting

##### Dimension (i) Content of the Strategic Plan

The current strategic plan (2016 - 2020) was developed based on SAI PMF 2014, which took into account both needs and institutional assessment, and is consistent with the IDI Strategic Planning Handbook. The plan incorporates a results framework presenting a logical hierarchy of purposes from vision, mission, strategic imperatives, and strategic objectives. The strategic plan also contains a manageable number of indicators measuring the achievement of the strategic objectives. As presented in Annex 1, there are comprehensive numbers of key performance indicators (KPIs). However, the KPIs are not in the SMART fashion. (specific, measurable, attainable, realistic, and time frame).

In Annex 2, there is an implementation matrix identifying and prioritizing the strategic projects. Nevertheless, there is a lack of identified risks to the achievement of the objectives. Instead, risks are identified in the operational plan. Moreover, Annex 3 shows the analysis of external and internal factors affecting the performance of OAGN.

Strategic imperative two emphasizes strengthening the independence and mandate of OAGN.

#### Dimension (ii) Content of the Annual Plan / Operational Plan

The operational plan is linked to the strategic plan and presents all the necessary elements, including activities, timetables, and responsibilities. The plan also incorporates main support services, including financial administration, general administration, human resource development, international relations, quality assurance, parliamentary relations, and communications and relations with stakeholders.

In Annex 2, there is a comprehensive implementation matrix showing activities, responsibilities, KPIs, timeframe, expected budget, and risks for each activity.

The plan contains risks to the achievement of the objectives and mitigation measures.

However, KPIs at the outcome level are not included in the operational plan but presented in the strategic plan. Moreover, KPIs for output level is determined as expected outputs, not SMART fashion.

Lastly, there are no Baseline indicators in the plan.

#### Dimension (iii) Organizational Planning Process

The Office of Policy Planning and Human Resource Development formulated the Strategic Planning Committee with a Term of Reference consisting of responsibilities, actions, and timetable for developing the strategic and operational plans. With the support from SAI Norway, the Committee was formed to prepare the draft strategic plan following the IDI Strategic Planning Handbook. In addition, the Committee gathered information from external experts and internal staff, including, but not limited to, the management level, Assistant Auditor General, and Directors. Once the strategic plan was drafted, the Policy Planning and Human Resource Development office submitted the plan to the Auditor General for approval.

OAGN has conducted an interaction program to survey internal staff expectations as input for the strategic plan. In addition to the internal participation, OAGN also regularly consults with the Public Accounts Committee (PAC) and audited entities to get feedback and expectations.

Once the plans got approved, The Office of Policy Planning and Human Resource Development was responsible for circulating the documents to all staff. The plan is also published on the OAGN's website.

The monitoring committee was formed to be responsible for monitoring the progress of the implementation. Regularly, all the progress, audit, and non-audit activities are monitored monthly, while other major programs are monitored annually.

There was not a gap between the previous strategic plan and the current plan. The last strategic plan was implemented during 2013-15, while the current plan is for 2016-2020. Therefore, the process is continued.

The Policy Planning and Human Resource Development Office and the Strategic Planning Committee regularly evaluated and collected information about the planning process to provide input to the next planning.

#### Dimension (iv) Monitoring and Performance Reporting

The Auditor General Annual Report presents OAGN's operations and performance in all areas, including a summary review of the performance against the strategic plan in the Office Activities section. In addition to the AG report, OAGN also publishes the Audit Bulletin and Journal regularly.

Progress reports, which contain progress against the identified performance indicators, are prepared monthly, as explained earlier.

Furthermore, feedback is usually provided by PAC, Media, Development Partners through media and discussion programs. However, there is no specific indicator to measure the satisfaction of stakeholders.

In addition to the annual performance reporting, OAGN also publishes the result of SAI PMF conducted by SAI India in 2014 on the website. In addition, OAGN also publishes audit standards and guidelines on the website as well.

Lastly, although the annual report presents amounts of money recovered from the audits, savings and efficiency gain through audits or other detailed analyses are not included.

**The assessment team would like to highlight the following issues relating to this indicator.**

**Assessed responses for these issues are also provided.**

9. Risks to the achievement of the strategic plan are not identified in the strategic plan.
10. KPIs at the outcome level is not specified in the operational plan.
11. KPIs are not SMART.
12. There are no baselines of the current performance.
13. Indicators to measure satisfaction are not determined.
14. Savings and efficiency gain through audits are not included in the report.

**Clarification from OAGN to issue No. 9**

Risks are not explicitly spelled out in the strategic plan but done so in the operational plan. However, critical success factors are well spelled out on page 5 of the strategic plan.

#### 4.2.1.1 Assessment Scores by Dimension

<b>Dimension</b>	<b>Score</b>
(i) Content of the Strategic Plan	4
(ii) Content of the Annual Plan / Operational Plan	3
(iii) Organizational Planning Process	4
(iv) Monitoring and Performance Reporting	3
<b>Overall Score</b>	<b>3</b>



## 4.2.1.2 Assessment Findings

SAI-3 Strategic Planning Cycle		
Dimensions	Findings	Score
(i) Content of the Strategic Plan	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• Strategic plan 2016-2020 was developed based on the needs and institutional assessment.</li> <li>• A results framework presents a logical hierarchy of purposes from vision, mission, strategic imperatives, and strategic objectives.</li> <li>• There are comprehensive numbers of key performance indicators measuring the achievement of the strategic objectives.</li> <li>• There is the implementation matrix identifying and prioritizing the strategic projects.</li> <li>• The plan consists of the analysis of external and internal factors affecting the performance of OAGN.</li> <li>• The plan emphasizes strengthening independence and the mandate of OAGN.</li> </ul>	4
(ii) Content of the Annual Plan / Operational Plan	<p><b>Criteria a, b, c, d, e, and f are met.</b></p> <ul style="list-style-type: none"> <li>• The operational plan presents all the necessary elements, including activities, timetables, and responsibilities.</li> <li>• Main support services are included in the operational plan.</li> <li>• The operational plan is linked to the strategic plan.</li> <li>• A comprehensive implementation matrix shows activities, responsibilities, KPIs, timeframe, expected budget, and risks for each activity.</li> <li>• The operational plan contains the risk assessment and risk mitigation measures.</li> </ul>	3

	<ul style="list-style-type: none"> <li>• KPIs for output level are included as expected outputs.</li> </ul> <p><b>Criteria g is not met because there are no baseline indicators.</b></p>	
(iii) Organizational Planning Process	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• A high-level committee was formed, and the Auditor General approved the plan.</li> <li>• OAGN has conducted an interaction program to collect information from staff.</li> <li>• OAGN regularly consults with PAC and audited entities to get feedback and expectations.</li> <li>• The Office of Policy Planning and Human Resource Development is responsible for circulating the approved strategic plan to all OAGN's staff.</li> <li>• The plan is also published on the OAGN's website.</li> <li>• The monitoring committee was formed to be responsible for monitoring the progress of the implementation.</li> <li>• The office of Policy Planning and Human Resource Development formulated the strategic planning committee with ToR consisting of responsibilities, actions, and timetables to develop the strategic and operational plans.</li> <li>• There was not a gap between the previous strategic plan and the current plan.</li> <li>• The Policy Planning and Human Resource Development Office and the Strategic Planning Committee regularly evaluated and collected information about the planning process to provide input to the next planning.</li> </ul>	4
(iv) Monitoring and Performance Reporting	<p><b>Criteria a, b, d, f, and g are met.</b></p>	3

	<ul style="list-style-type: none"> <li>• The Auditor General Annual Report presents OAGN's operations and performance in all areas, including a summary review of the performance against the strategic plan. There are also Audit bulletins &amp; journals published regularly.</li> <li>• Progress reports containing progress against the performance indicators are prepared monthly.</li> <li>• PAC, Media, Development Partners usually provide feedback through media and discussion programs.</li> <li>• OAGN publishes the result of SAI PMF conducted by SAI India in 2014 on the website.</li> <li>• Audit Standards and guidelines are also published on the website.</li> </ul> <p><b>Criteria c and e are not met.</b></p> <ul style="list-style-type: none"> <li>• There are no indicators to measure the satisfaction of stakeholders.</li> <li>• The annual reports do not present savings and efficiency gain through audits.</li> </ul>	
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#### 4.2.2 SAI-4 Organizational Control Environment

OAGN should have a functioning internal control system that provides reasonable assurance on whether the organization is carrying out its works economically, efficiently, effectively, and following laws and regulations. As guided by ISSAI 130, ethical control systems and ethical values should be prioritized to promote the organization's professional and ethical behaviors. OAGN should also have mechanisms for monitoring and reporting on the progress of the internal control system.

Furthermore, to ensure quality in all works, OAGN should also have quality control and quality assurance systems.

The indicator is separated into four dimensions:

- i. Internal Control Environment – Ethics, Integrity and Organizational Structure
- ii. System of Internal Control
- iii. Quality Control System
- iv. Quality Assurance System

Dimension (i) Internal Control Environment – Ethics, Integrity and Organizational Structure

OAGN has developed the Code of Ethics based on ISSAI 130. The Code of Ethics explains integrity, independence and objectivity, competence, confidentiality, and transparency contents. However, professional behavior, examples of ethical dilemmas, and conflict resolutions are not included. OAGN also publishes the Code of ethics on the website and printed copy. As OAGN participated in the ISSAI 30 implementation assessment in 2018, the Code of Ethics was reviewed. All staff is required and encouraged to work with the values and principles expressed in the Code of Ethics. Additionally, ethical requirements are mandatory for all hired experts as well.

In addition to the Code of Ethics, there is a committee for monitoring the Code of Ethics implementation. The Committee investigates the issues of non-compliance with the Code and submits the report to AG. Likewise, compliance with the Code is also checked in the supervision stage. Furthermore, audited entities can complain directly to AG for non-compliance by auditors. Again, the prescribed oath taken after appointment in respective positions per Civil Service Act is in practice. There is also an ethical declaration before engaging in an audit. These mechanisms have promoted integrity in the organization.

Moreover, there is a clear organization chart as well as work division and work description. These are used for ensuring the responsibility of staff and the Directorate. The job descriptions cover the main responsibility throughout the organizations and Directorate based on their nature and workload of audit units. OAGN ensures that staff is clear on their tasks and reporting lines as the audit plan provides a reporting template for staff. Besides, all staff must follow the hierarchical check and balance as per Job descriptions

Dimension (ii) System of Internal Control

There is an effective internal control system in OAGN. As the Financial Procedure and Accountability Act clearly defines internal control procedures, Internal Control Directives or

Internal Management procedures are enforced by AG and monitored as scheduled. Furthermore, as per the Financial Procedure and Accountability Act, OAGN has documented and applied internal control policies and procedures. The Act also determines that every office's heads must ensure they have carried out their risk management responsibilities. Eventually, the Internal Audit report includes assessing the internal control system, signed by the AG.

However, as OAGN has implemented Internal Control Guidelines since 2014, they will be updated and approved in this fiscal year.

Additionally, OAGN also performs internal audits annually. As per Management Decision, a group of auditors with an appropriate mandate, skill, set of experience, and necessary resources, is assigned to perform an internal audit. Nevertheless, this task force is not an independent, responsible division that conducts the internal audit and holds accountable only the AG as guided by ISSAI 140.

Once the internal audit is done, the Management Personal and Finance Directorate is responsible for monitoring and implementing the internal audit findings. The Audit Committee conducts meetings with responsible management authorities before dispatching the final reports.

Moreover, there is a notification procedure within the organization, such as a complaint box for employees to report suspected violations. Time for correction and compliance are provided to individual staff and the Directorate. Memos and direct contact mode are used as per requirement.

Lastly, time-bound job rotation is in practice (every 2 - 3 years). Job rotation policy mainly ensures that all staff has experience in various sectors as per interest whereas possible.

#### Dimension (iii) Quality Control System

OAGN establishes policies and procedures to promote quality in all works, both audit, and non-audit. For example, audit works of each stage are reviewed by a higher level as determined in the audit manuals. Additionally, the Public Procurement Committee (PAC) has constituted quality control procedures for ensuring transparency and fairness of the public sector procurement process, which OAGN also adopted.

Quality control policies and procedures are established, and the AG retains overall responsibility. He directs and provides instructions and reviews the audit and other works carried out

Furthermore, the AG delegates authority to DAGs, and DAGs delegate authority to AAGs. Therefore, officials are individually and collectively responsible for their works.

In addition to the internal control system, risks to quality in carrying out the work are identified in each audit and other works. Therefore, the audit risk assessment process has been employed in the internal control system.

Lastly, OAGN has a system for prioritizing audit works to achieve desired quality using a risk-based approach. In which high-risk audit gets high priority as described in the annual audit plan.

#### Dimension (iv) Quality Assurance System

OAGN developed the Quality Assurance Handbook 2012 and set up the QA Committee and QA Directorate to be responsible for Quality Assurance tasks. The QA Committee is constituted, including the officials independent from the audit assignment and QA experience. As the handbook explains procedures for conducting the QA, the Committee will select audit files for QA covering each audit team leader. Usually, the QA review is started after the finalization of the Annual Report, and the QA report is prepared and submitted to the AG at the end of the fiscal year, mostly within three months.

Eventually, The AG reviews the QA report and instructs respective officials to implement the recommendations.

Lately, SAI India conducted a review of the overall system of quality control in 2014.

#### 4.2.2.1 Assessment Scores by Dimension

<b>Dimension</b>	<b>Score</b>
(i) Internal Control Environment – Ethics, Integrity and Organizational Structure	4
(ii) System of Internal Control	3
(iii) Quality Control System	4
(iv) Quality Assurance System	4
<b>Overall Score</b>	<b>4</b>

## 4.2.2.2 Assessment Findings

SAI-4 Organizational Control Environment		
Dimensions	Findings	Score
(i) Internal Control Environment – Ethics, Integrity and Organizational Structure	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• The OAGN's Code of Ethics was developed based on ISSAI 130.</li> <li>• The Code of Ethics explains integrity, independence, objectivity, competence, confidentiality, and transparency, but not professional behavior.</li> <li>• The Code of Ethics was reviewed in 2018 as the OAGN participated in the ISSAI 130 implementation assessment.</li> <li>• There is a committee for monitoring the Code of Ethics implementation.</li> <li>• All staff is encouraged to comply with the Code of Ethics.</li> <li>• Organization charts, work division, and work descriptions are used to ensure staff and directorates' responsibility.</li> <li>• Job descriptions are used for every staff.</li> <li>• All staff follows hierarchical check and balance as per the job description.</li> <li>• There is a Code of Ethics Monitoring Committee to investigate non-compliance with the Code and submit the report to AG.</li> </ul>	4

(ii) System of Internal Control	<p><b>Criteria a, b, c, d, f, h, i, and j are met.</b></p> <ul style="list-style-type: none"> <li>• OAGN performs internal control as guided by the Financial Procedure and Accountability Act.</li> <li>• OAGN has documented and applied internal control policies and procedures.</li> <li>• The heads of every office have to assure us they have carried out their risk management responsibilities.</li> <li>• The internal Audit report includes the assessment of the internal control system and AG signs on the report.</li> <li>• The Management Personal and Finance Directorate monitors and implements internal audit findings.</li> <li>• There is a notification procedure for employees to report suspected violations.</li> <li>• There is also the rotation policy in OAGN.</li> </ul> <p><b>Criteria g is not met because no independent responsible division conducts the internal audit and holds accountable to only the AG.</b></p>	3
(iii) Quality Control System	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• Audit and non-audit works of each stage are reviewed by a higher level as determined in the audit manuals.</li> <li>• The Auditor General retains the overall responsibility of the organization.</li> <li>• AG delegates authority to DAGs, and DAGs delegate authority to AAGs.</li> </ul>	4



	<ul style="list-style-type: none"> <li>• The risk to quality in carrying out the work is identified in each audit and other work.</li> <li>• OAGN has a system for prioritizing audit works to achieve desired quality using a risk-based approach.</li> </ul>	
(iv) Quality Assurance System	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• OAGN has developed the Quality Assurance Handbook 2012.</li> <li>• QA Committee and QA Directorate are responsible for Quality Assurance.</li> <li>• Written Procedures are included in the QA Handbook.</li> <li>• A QA team is independently constituted, including the officials who have experience in QA.</li> <li>• Appropriate and clear recommendations are provided to the audit team, and a consolidated report is submitted to AG.</li> <li>• AG reviewed the QA report and instructed respective officials to implement the recommendations.</li> <li>• QA report is submitted within three months.</li> <li>• SAI India conducted a review of the overall system of quality control in 2014.</li> </ul>	4

#### 4.2.3 SAI-5 Outsourced Audit

An SAI's legal framework may allow for it to contract external auditors. To enable SAIs with limited capacities to complete their audits on time, outsourcing some audit work may be an option for SAIs to fulfill their mandate. However, the SAI remains the responsible party for the audits and the contracted work results. Therefore, as identified in ISSAI 140, SAIs that contract

audit work need to consider any resulting risks to the quality of all their work. This indicator specifically assesses the procedures and practices of the outsourced audit. The indicator encompasses audits that are outsourced in full. Audits partially outsourced (e.g., specific analyses that require external expertise) are to be covered in Domain C.

OAGN needs to have a system to ensure that work carried out by contracted parties is of the required quality. The organization must have adequate procedures for selecting contractors and the quality control of audit work done on its behalf. Furthermore, the outsourced audit work needs to be included in the OAGN's system for quality assurance review to ensure that quality control procedures are being implemented.

The indicator is separated into three dimensions:

- i. Process for Selection of Contracted Auditor
- ii. Quality Control of Outsourced Audits
- iii. Quality Assurance of Outsourced Audits

#### Dimension (i) Process for Selection of Contracted Auditor

There is a system for selecting outsourced auditors. Under Section 10 of the Audit Act, 2019 Auditor General may appoint auditors to audit the public enterprises fully owned by the Government. Such auditors must have obtained the certificate under applicable law and conduct the audit as an assistant of the Auditor General. The Institute of Chartered Accountants of Nepal (ICAN) issues such certificates to qualified professional accountants only.

Since ICAN is a member of the International Federation of Accountants (IFAC), it establishes the Code of Ethics following IFAC requirements. Therefore, all members of ICAN must observe and comply with the Code of Ethics issued by ICAN.

To ensure that the outsourced auditors have an appropriate understanding of the public sector environment, OAGN provides the Audit Directives as a part of the auditor appointment letter. The directives mention pre-engagement and planning stage procedures to reporting and follow-up audit stage for public enterprises. Also, detailed descriptions of OAGN and its public sector working environment have been published on the OAGN's website.

Before getting the appointment letter, the appointed auditors must sign up the declaration paper. The declaration paper mentions that the auditor is aware of the applicable Code of Ethics to be observed. Confidentiality or professional secrecy is a significant part of the Code of ethics.

To reduce the risk of familiarity with the organization being audited, OAGN strictly follows Section 111(3) of the Companies Act, 2006. The law mentions that no auditor or their partner or ex-partner or employee or ex-employee shall be appointed as auditor for more than three consecutive terms to perform the audit of a public company.

Moreover, since OAGN has adopted the INTOSAI Framework for Professional Pronouncements (IFPP), including the QC policies and procedures, OAGN encourages the outsourced auditors to familiarize themselves with both standards INTOSAI and OAGN's websites.

Lastly, Outsourced auditors must submit the Audit plan to OAGN. In the Audit Plan for big entities, the audit team, engagement partner, and quality reviewer must have been mentioned. In the audit plan for small entities, appropriate procedures established in the audit firm for quality control should be noted. Therefore, OAGN's staff can review the audit plan and provide suggestions to the outsourced auditors.

#### Dimension (ii) Quality Control of Outsourced Audits

OAGN implements a quality control system for outsourced auditors. OAGN's staff monitors the audit work conducted in all outsourced auditors based on the related audit plan. The organization also demands the audit documents from outsourced auditors on a selective basis for post-audit quality assurance review.

Interestingly, due to the inadequate human resources of OAGN, the Chartered Accountants and registered auditors were mobilized, as audit assistants, in the audit of the local level. However, it was observed that because of the lack of adequate training and unfamiliarity with such work processes, OAGN could not achieve expected results from the audit assistant's services. Therefore, the practice of appointing these types of audit assistants will be reduced.

For the monitoring mechanism, the Public Enterprises Audit Division is responsible for monitoring outsourced auditors, especially those who do not submit the monthly progress report timely and are delaying the work as prescribed in the audit plan.

Additionally, as per paragraph 27.2.4 of Guidelines for the Audit of Public Enterprises (PEs), auditors appointed to conduct audits of PEs are generally allowed to retain all working papers safe with them at their firm. However, OAGN may require auditors, at any point in time, to furnish those papers to OAGN, and it shall be the duty of the auditors appointed to comply with such instruction. This guideline is also a part of the terms and conditions for the appointment of auditors in PEs.

Lastly, OAGN, through the job description for Deputy Auditor General (DAG), has given authority to issue the audit reports. There are 3-layer reviews for the report submitted by outsourced auditors. First, the audit Officer, Audit Director, and Assistant Auditor General review the draft report before giving the signature by DAG in the report.

#### Dimension (iii) Quality Assurance of Outsourced Audits

In addition to the QC system described earlier, there are three layers of the reviews system for controlling the quality of the reports submitted by outsourced auditors. First, OAGN also focuses on the QA of the outsourced auditors as well. The Quality Assurance Directorate is responsible for this function. This Directorate conducts post-audit QA reviews of outsourced auditors' work on a selective basis as per the approved plan and based on the prescribed format. Outsourced Auditors must establish the QA procedures and plans as per the requirements of ICAN, which is a member of the IFAC. The Quality Assurance Directorate reviews at least 5% of the completed works.

Furthermore, the Quality Assurance Directorate also assigns any experienced directors to monitor the audit tasks performed by outsourced auditors.

Similar to the regular QA procedure, all QA reviewers are selected independently. The Quality Assurance Directorate selects the required QA reviewers from the different Audit Divisions and Directorates unrelated to the audit works. Also, a standard format has been designed to write the quality assurance review report with clear conclusions and relevant recommendations.

The Public Enterprises Audit Division ongoingly monitors audit quality during the planning to reporting stages, and a monthly progress report is submitted to the AG. The Quality Assurance Directorate also submits the monthly progress report to the AG as well.

Lastly, although recommendations with the explanation from the QA are provided to the contracted auditors' Senior Management, no records or evidence shows that they considered and concluded the recommendations.

#### 4.2.3.1 Assessment Scores by Dimension

Dimension	Score
(i) Process for Selection of Contracted Auditor	4
(ii) Quality Control of Outsourced Audits	4
(iii) Quality Assurance of Outsourced Audits	3
<b>Overall Score</b>	<b>4</b>

#### 4.2.3.2 Assessment Findings

SAI-25 Outsourced Audit		
Dimensions	Findings	Score
(i) Process for Selection of Contracted Auditor	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• The Auditor General may appoint outsourced auditors to audit the public enterprises fully owned by the Government.</li> <li>• Outsourced auditors must observe the Code of Ethics issued by ICAN.</li> <li>• OAGN provides the outsourced auditors the Audit Directives as a part of the auditor appointment letter.</li> <li>• Outsourced auditors must sign up for the declaration paper of the Code of Ethics.</li> <li>• There is a policy for reducing the risks of familiarity.</li> <li>• OAGN has encouraged outsourced auditors to familiarize themselves with INTOSAI standards</li> <li>• Outsourced auditors must submit the Audit plan to OAGN.</li> </ul>	4

(ii) Quality Control of Outsourced Audits	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• OAGN's staff monitor the audit work conducted in all entities by all outsourced auditors.</li> <li>• OAGN may demand the audit documents from outsourced auditors on a selective basis.</li> <li>• The Public Enterprises Audit Division is responsible for monitoring outsourced auditors.</li> <li>• There is a written policy to ensure that all documents are the property of OAGN.</li> <li>• There are 3-layer reviews for the reports submitted by outsourced auditors and DAG issues on them.</li> </ul>	4
(iii) Quality Assurance of Outsourced Audits	<p><b>Criteria a, b, c, d, e, and f are met.</b></p> <ul style="list-style-type: none"> <li>• There are three layers for reviewing the report submitted by outsourced auditors.</li> <li>• At least 5% of the completed works are selected for review.</li> <li>• Experienced Directors are assigned to monitor the audit tasks performed by outsourced auditors.</li> <li>• QA reviewers are selected independently from Audit Directorates in OAGN.</li> <li>• There is a standard format for writing quality assurance review reports.</li> <li>• The monthly progress reports are submitted to the AG.</li> </ul> <p><b>Criterion g is not met because although recommendations with the explanation from the QA are provided, there is no evidence of their compliance.</b></p>	3

#### 4.2.4 SAI-6 Leadership and Internal Communication

OAGN should be operating on the foundations of transparency and accountability as described in INTOSAI-P 20. Additionally, the Head of the SAI and the leadership team are responsible for setting the tone at the top, promoting integrity, and enabling effective fulfillment of the organization's mandate by developing an organizational culture promoting effectiveness, transparency, and accountability.

The indicator is separated into two dimensions:

i. Leadership

ii. Internal Communication

##### Dimension (i) Leadership

Management meetings are conducted at least once a month. For every meeting, minutes of the decision is documented and emailed to all staff to implement the decision. In addition, the management has often identified and disseminated the organizational values and promotes these in meetings, public activities, press meets, core documents, Audit bulletin, and website.

In OAGN, there is a system for delegation of authority from AG to DAG, from DAG to AAG, and from AAG to Directors. Therefore, they are accountable as delegated authority.

Furthermore, management prioritizes accountability as one of the most essential working cultures. Therefore, there are both hard and soft controls for strengthening and cultivating these cultures. For example, AG Action Plans, work responsibility and division, operating procedures, Financial Procedure and Accountability Act, and other regulations enable accountability and strengthening the working culture.

Additionally, the management also demonstrates initiatives for building an ethical culture in the organization. In addition to the Code of Ethics, open discussion, forum to orientate staff, circulation of decision, instruction by Auditor General, call for suggestion regarding new policy formation are the tools for building an ethical culture. Similarly, quality is also emphasized by the management. A higher-level staff reviews each stage of the audit. AG action Plans, Audit Act enactment, update of different guidelines and standards, risk assessment practices, etc., are used to support and enhance quality in the organization.

However, even though the Audit Act section 26 enables AG to provide incentive plans for staff, in practice, the Government of Nepal has been giving specific incentives for the last eight years. As the Government of Nepal is responsible for fixing the remuneration system, OAGN can only provide the remuneration fixed by the Government, and AG has no right to alter the payment.

#### Dimension (ii) Internal Communication

Digital circulars and staff meetings are essential tools for internal communication. There is also an archiving system for monitoring the circulated documents. The Monitoring Directorate is responsible for monitoring the implementation of circulated documents. Furthermore, there is a separate digital circular folder on the website used for storing these documents, and they are also kept in hard copy.

Usually, the management illustrates the organization's mandate, vision, core values, and strategy to staff during the Professional training and workshops. They also inform and consult staff regularly on key issues related to the organization.

There are also other communication approaches. For example, OAGN publishes Audit Magazines twice a Year, Audit Bulletin as per need, emails to every staff, and provides internet access for everyone to promote effective internal communication.

Regular and open interactions between management and staff are conducted at different levels and multiple times.

#### 4.2.2.1 Assessment Scores by Dimension

<b>Dimension</b>	<b>Score</b>
(i) Leadership	3
(ii) Internal Communication	4
<b>Overall Score</b>	<b>3</b>



## 4.2.1.2 Assessment Findings

<b>SAI-6 Leadership and Internal Communication</b>		
<b>Dimensions</b>	<b>Findings</b>	<b>Score</b>
(i) Leadership	<p><b>Criteria a, b, c, d, f, g, and h are met.</b></p> <ul style="list-style-type: none"> <li>• Management meetings are conducted monthly.</li> <li>• Minutes of decision is documented and emailed to all staff.</li> <li>• Brief meetings, circulation, press meets, Audit bulletin, and website are used for internal communication.</li> <li>• There is a delegation of authority from AG to DAG, DAG to AAG, and AAG to Directors.</li> <li>• Management has demonstrated initiatives to set a tone enabling accountability and ethical culture.</li> <li>• Generally, quality in each stage of the audit is reviewed by a higher level.</li> </ul> <p><b>Criterion e is not met because AG does not provide remuneration.</b></p>	3
(ii) Internal Communication	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• Consultation is carried out regularly.</li> <li>• OAGN publishes Audit Magazine and Audit Bulletin and emails to every staff.</li> <li>• There are regular and open interactions between management and staff.</li> <li>• There are a lot of means of electronic communication.</li> </ul>	4

## 4.2.5 SAI-7 Overall Audit Planning

This Dimension examines the process of developing an overall OAGN's audit plan and its content. The overall audit plan determines the audits planned to conduct in a set period.

The overall audit plan supports the organization in fulfilling its mandate and reaching its objectives efficiently and effectively. Therefore, the overall audit plan should be feasible, reflecting the expected budget and workforce.

Furthermore, OAGN should consider the overall audit plan and whether there are sufficient resources to deliver the range of work to the desired level of quality, as emphasized in ISSAI 140. Therefore, the organization should have a system to prioritize all the works to consider the need to maintain quality. The process for developing the overall audit plan should also be documented.

The indicator is separated into two dimensions:

i. Audit Planning Process

ii. Overall Audit Plan Content

#### Dimension (i) Audit Planning Process

OAGN documents the process for developing and approving the overall audit plan in minutes of meetings and discussions with senior management. The overall audit plan covers the scope and methodology as identified in the Audit Act 2018. There are three layers of audit plan in OAGN, including an annual audit plan, a Ministry-level audit plan, and an Entity-level audit plan.

The planning process is developed based on a risk assessment, which will be further emphasized in the Ministry-level audit plan and the Entity-level audit plan. Furthermore, OAGN's audit manuals are also developed based on risks as well. Feedback given by stakeholders and the issues raised in the media is also taken into account when developing the plan.

The Office of Policy Planning and Human Resource Development is responsible for monitoring the overall plans. The Directorate of Inspection and Monitoring is responsible for regularly monitoring the progress and holding the progress meeting. Progress reports are prepared every month, which contain progress against the performance indicators.

The expected budget and resources are key components of the plan. The schedule of the audit is also included in the Ministry- and Entity-level plans.

#### Dimension (ii) Overall Audit Plan Content

The Annual Audit Plan clearly defines the objectives of the audit. However, responsible officials are mentioned in the Ministry level and Entity level audit plan. Similarly, there are only

work schedules in the annual audit plan, while the detailed program is presented in the Ministry-level plans instead.

In an Annual Report, OAGN demonstrates that the organization completely carried out its tasks within the relevant timeframe as scheduled in the plan. However, last year, there was a delay due to the Covid-19 pandemic.

Additionally, necessary resources are included in the Ministry-level and Entity-level audit plans and limitations or constraints for achieving the plan.

#### 4.2.2.1 Assessment Scores by Dimension

Dimension	Score
(i) Audit Planning Process	4
(ii) Overall Audit Plan Content	4
<b>Overall Score</b>	<b>4</b>

#### 4.2.1.2 Assessment Findings

SAI-7 Overall Audit Planning		
Dimensions	Findings	Score
(i) Audit Planning Process	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>OAGN documents the process followed for developing and approving the overall audit plan.</li> <li>The overall audit plan covers the scope and methodology identified in the Audit Act 2018.</li> <li>OAGN is adopting a risk-based methodology.</li> <li>There are clearly defined responsibilities for planning, implementing, and monitoring the audit plan.</li> <li>Progress reports, which contain progress against the performance indicators, are prepared monthly.</li> </ul>	4

	<ul style="list-style-type: none"> <li>• The expected budget and resources are included in the plan.</li> <li>• The audit plan includes the feedback given by stakeholders as well as the issues raised in the media.</li> </ul>	
(ii) Overall Audit Plan Content	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• The Annual Audit Plan clearly defines the objectives of the audit as well as the timeframe.</li> <li>• Timely completion of audits as scheduled.</li> </ul>	4

#### 4.3 DOMAIN C: Audit Quality and Reporting

Domain C covers the three audit types as they are defined in the ISSAIs as follows:

- Financial audit determines whether an entity's financial information is presented by the applicable financial reporting and regulatory framework.

- Performance audit assesses whether interventions, programs, and institutions perform following the principles of economy, efficiency, and effectiveness and whether there is room for improvement.

- Compliance audit determines whether a particular subject matter complies with applicable authorities identified as criteria.

This domain aims to assess the quality and outputs of the audit/control work that is the core business of OAGN. It includes an indicator that measures OAGN's audit coverage for each of the audit disciplines.

However, OAGN doesn't separate Compliance Audit (CA). CA is being conducted combined with Financial Audit based on Financial Audit Manual.

Domain C: Audit Quality and Reporting		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI - 8	Audit Coverage	4	3	4		4
SAI - 9	Financial Audit Standards and Quality Management	4	3	3		3
SAI - 10	Financial Audit Process	2	3	3		3
SAI - 11	Financial Audit Results	4	4	2		3
SAI - 12	Performance Audit Standards and Quality Management	4	3	2		3
SAI - 13	Performance Audit Process	3	3	3		3
SAI - 14	Performance Audit Results	4	4	2		3
SAI - 15	Compliance Audit Standards and Quality Management	4	1	3		3
SAI - 16	Compliance Audit Process	3	3	3		3

SAI - 17	Compliance Audit Results	3	4	2		3
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#### 4.3.1 SAI-8 Audit Coverage

SAI-8 measures audit coverage in each of the three audit disciplines: FA, PA, and CA. It assesses the information from the OAGN's management information system, completed quality assurance reviews, and review sample audits.

The indicator is separated into three dimensions:

- (i) Financial Audit Coverage
- (ii) Coverage, Selection, and Objective of Performance Audit
- (iii) Coverage, Selection, and Objective of Compliance Audit

##### Dimension (i) Financial Audit Coverage

In the Financial Audit Coverage of OAGN's fiscal year of 2019-2020, 100 percent of financial statements are audited. However, the audit methodology may differ as per the risk assessed during the planning stage. If any entity has not been audited, it is publicizing in the annual report.

##### Dimension (ii) Coverage, Selection, and Objective of Performance Audit

OAGN has set priorities for PA based on the 3Es at the same level as the legality and regularity of financial management and accounting. The Constitution of Nepal has made provisions about 3Es' auditing, and the Auditor General provides a work plan regarding the area of the performance audit. Its audit plan sets performance audit objectives to focus on principles of economy, efficiency, and effectiveness. The PA ultimate objective is to provide valuable recommendations for the further improvement of the audited entities. Stakeholders' expectations and emerging risks are considered while making an audit plan. Also, OAGN has conducting Citizen Participatory Auditing on PA. OAGN considers the significance of topics or subject matter for selecting PA, and the case should be auditable and aimed to maximize the expected impact. During the last five years, OAGN has issued reports covering National economic development,

Education, Revenue collection, Environment, Significant public sector reform programs, Health, Public finance, public administration, Infrastructure and Social security, and the labor market.

However, there are no special provisions about selecting PA topics on the Strategic and Operational Plan. Audit topics are chosen as per Performance Audit Guidelines 2012.

#### Dimension (iii) Coverage, Selection, and Objective of Compliance Audit

The audit plan identifies audited entities subjected to CA by considering the relevant controls related to compliance with authorities, procurement regulations, and other legislation. All the audited entities are categorized into high and low risk based on materiality, sensitivity, and complexity criterion considering human resources in the review period. The audited entities are audited each year using either detail or short audit procedures. Government procurement, Payroll, and Revenue collection were addressed in the audit of the past three years.

#### 4.3.1.1 Assessment Scores by Dimension

Dimension	Score
(i) Financial Audit Coverage.	4
(ii) Coverage, Selection, and Objective of Performance Audit.	3
(iii) Coverage, Selection and Objective of Compliance Audit.	4
<b>Overall Score</b>	<b>4</b>

#### 4.3.1.2 Assessment Findings

SAI-8 Audit Coverage		
Dimensions	Findings	Score
(i) Financial Audit Coverage	100% of statements received are audited.	4
(ii) Coverage, Selection and	OAGN sets the priority of performance audit base on 3Es and has issued reports covering the important	3

Objective of Performance Audit	topics. Still, there are not special provisions about the selection of topic selection on Strategic and Operational Plan.	
(iii) Coverage, Selection, and Objective of Compliance Audit	The audit plan identifies audited entities by considering the relevant controls that relate to compliance with regulations. Government procurement, Payroll, and Revenue collection were addressed in the audit of the past three years.	4

#### 4.3.2 SAI-9 Financial Audit Standards and Quality Management

SAI-9 specifies the fundamental principles of a financial audit. It assesses the OAGN's approach to a financial audit regarding its overall standard and guidance for financial auditing and how to audit team management and skills, and quality control are implemented at the audit engagement level. The quality of these functions at the organization level is assessed in quality control indicators in SAI-4 and professional development and training in SAI-23.

The indicator is separated into three dimensions:

- (i) Financial Audit Standard and Policies
- (ii) Financial Audit Team Management and Skills
- (iii) Quality Control in Financial Audit

##### Dimension (i) Financial Audit Standards and Policies

OAGN has a financial audit manual that is consistent with ISSAI 200. In the engagement letter, the terms of the audit engagement are discussed and agreed upon with management. Also, there is the reference of the use of an acceptable financial reporting framework in the preparation of the financial statements and the agreement of management to the premise on which an audit is conducted and confirming that there is a common understanding between the auditor and management on the terms of the audit engagement in writing. There is a risk assessment process to reduce audit risk to an acceptably low level in the engagement circumstances to obtain reasonable assurance as to the basis for a positive form of expression of OAGN's opinion. The concept of materiality is used when planning. The working paper SP2 talks about materiality.



Audit documentation is prepared to provide sufficient and appropriate records based on the auditor's report and evidence. It should enable other experienced auditors, having no previous connection with the audit, to understand significant matters reported from the performed audit, the conclusions reached thereon, and understand the significant professional judgments made in achieving the conclusions.

The overall audit strategy, audit objectives, scope, timelines, and management responsibility are discussed during the entrance conference. There is the detail of the overall audit strategy in the Financial Audit Manual to provide understanding and summaries of all aspects and risks that may influence the audit. The format for the Audit Strategy Planning Memorandum is provided in SP8 of Financial Audit Manual Appendices. In Chapter 3 of the Financial Audit Manual, there is the audit planning process. In section 3.7 of the Financial Audit Manual, the auditor should understand the audited entity's environment and internal controls to enable the auditor to assess the risk of material misstatement, whether due to fraud or error, and to determine the appropriate audit approach to be followed. The risks of the material misstatement assessment process are in section 3.17.3 of the Financial Audit Manual. There is a description of the procedures to respond to the assessed risk of material misstatement. Audit tests such as a test of control substantive analytical procedures and an examination of detail can be designed. Auditors have to perform substantive procedures for each material class of transactions, account balance, and disclosure, irrespective of the assessed risks of material misstatement, to verify that the accounting information complies with decisions and intentions and legislation regulations and relevant rules.

There is a consideration of fraud by a suspect or identify the occurrence of fraud, but the auditor does not make legal determinations of whether fraud has occurred. In the risk assessment, auditors should consider compliance with new legislation and regulations or directives. Audit procedures for obtaining audit evidence requires auditors to assess the relevance and reliability of the information used as audit evidence. All audit findings are communicated to the appropriate management level on a timely basis, and auditors can ask management to adjust the financial statements. The objectives of the audit of OAGN are to form an opinion on the financial statements based on an evaluation of the conclusions drawn from the audit evidence obtained and to express clearly that opinion through a written report that explains the basis of the opinion. The auditors perform relevant procedures to form an audit opinion and provide reasonable assurance that the

financial statements are free of material misstatements. All requirements of the applicable financial reporting framework have been correctly applied.

OAGN adopts policies and procedures about how it chooses to implement its audit standards which include how to determine materiality for the financial statements, requirements on the auditor about documentation, the timely preparation of audit documentation, the form, content, and extent of audit documentation, the assembly of the final audit file, the nature, timing and extent of audit procedures nature, timing and extent of audit procedures based on and responsive to the assessed risks of material misstatement at the assertion level and the consideration of the necessity for requirements to obtain audit evidence by using external confirmations, using analytical procedures and different audit sampling techniques, using the work of internal audit functions and using external experts.

#### Dimension (ii) Financial Audit Team Management and Skills

OAGN establishes policies and procedures to ensure that it assigns sufficient personnel with competence, capabilities, and commitment to ethical principles necessary to perform the audits following professional standards and applicable legal and regulatory requirements and issue reports appropriate in the circumstances. Auditor has the academic qualification and service experience as defined by Human Resource Development Policy and needs to understand professional Standards. The auditor understands the nature of the entity's operations and the types of services it is offering. The audit team leader completes the Audit Quality Control Review Form following section 5.2 of the Financial Audit Manual. The financial statement is prepared in line with a financial reporting framework set out by legislation guided by the Nepal Public Sector Accounting Standards (NPSAS). The reporting line is clear, and supervisors are already assigned before an audit.

Audit teams are supported to develop audit strategy through Annual Audit Plan, other guidance provided by Auditor General, and different circulars given through Policy Plan and HRD Division. Various checklists on the appendix of the financial audit manual SP4 guide nature timing and extent of checking and guides to understand internal control. The evaluation of the overall internal control environment is properly guided in Financial Audit Manual. Auditor has the process of identifying risks of material misstatements and conducting risk analysis.

However, OAGN doesn't establish a system to enhance technical skills. The special area experts are outsourced. Also, special knowledge and expertise for conducting the financial audit have not been determined because the workforce is selected from the Public Service Commission and trained on different programs.

#### Dimension (iii) Quality Control in Financial Audit

All works are subject to review. The special format was included and circulated to the auditor to conduct a review of audit files. Assistant Auditor General approves the entity audit plan, and two tier supervision mechanism has been inbuilt. Progress monitoring is undertaken in the staff meeting held in the presence of the Auditor General. Where difficult or contentious matters arise, OAGN hires consultants, but no written response and memo system to solve controversial issues is lacking. The different opinions within the SAI are resolved before a report is issued but are not documented. The supervisor does quality control by reviews draft preliminary reports sent by audit teams and provides instructions before the reports are published.

##### 4.3.2.1 Assessment Scores by Dimension

Dimension	Score
(i) Financial Audit Coverage.	4
(ii) Coverage, Selection, and Objective of Performance Audit.	3
(iii) Coverage, Selection and Objective of Compliance Audit.	3
<b>Overall Score</b>	<b>3</b>

##### 4.3.2.2 Assessment Findings

SAI-9 Financial Audit Standards and Quality Management		
Dimensions	Findings	Score
(i) Financial Audit Standards and Policies	All criteria are met.  - OAGN has a financial audit manual that is consistent with ISSAI 200.	4

	<ul style="list-style-type: none"> <li>- The terms of the audit engagement are discussed and agreed upon with management, and there is the reference of the use of an acceptable financial reporting framework in the engagement letter.</li> <li>- Risk assessment process was applied to reduce audit risks.</li> <li>- SP2 mentioned the concept of materiality.</li> <li>- Overall audit strategy, audit objectives, scope, timelines, and management responsibility are discussed during the entrance conference.</li> <li>- SP8 of Financial Audit Manual Appendices provides the format for the Audit Strategy Planning Memorandum.</li> <li>- There is a consideration of fraud by a suspect or identify the occurrence of fraud.</li> <li>- All audit findings are communicated to the appropriate management level on a timely basis.</li> <li>- OAGN adopts policies and procedures about how it chooses to implement its audit standards.</li> </ul>	
(ii) Financial Audit Team Management and Skills	OAGN has established a system to ensure that the team understand and has experience and competence on its job, but some special area are outsourced, and workforce is selected from Public Service Commission and trained on a different program	3
(iii) Quality Control in Financial Audit	All works are reviewed, but different opinions within the SAI are not documented.	3

### 4.3.3 SAI-10 Financial Audit Process

SAI-10 looks at how financial audits are carried out in practice. It examines the planning phase, the implementation phase, and the reporting phase.

The indicator is separated into three dimensions:

- (i) Planning Financial Audits
- (ii) Implementing Financial Audits
- (iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits

The sources of evidence for this indicator are based on the sampling financial reports from both central and regional offices.

#### Dimension (i) Planning Financial Audits

OAGN has authorized a standard-setting organization called the Accounting Standard Board of Nepal, and this Board determines its Financial Reporting Standard. The responsible person is identified, and scope and timing are communicated, and the accountable person signs terms of the audit engagement. The overall annual audit plan is prepared and approved by Auditor General. Based on the annual plan, the Ministry Level audit plan is approved by Deputy Auditor General. Each audit team prepares entity-level audit plans in which audit strategy, nature, timing, and extent of the audit are mentioned. Auditor understands the background, policy procedures, related legislation, program, budget, objective, and scope of the audited entity. The Ministry level and entity-level audit plan contents include the format to understand and assess the internal control environment. The audit team needs to identify inherent risk, control environment, control risk, probability, and consequence in each audit plan. Each Directorate maintains a risk register and records the information about fraud and mismanagement published in media. Moreover, the auditor gives priority to the situation of committing fraud while conducting the risk assessment.

OAGN's auditors must sign the Code of Ethics Declaration to ensure that they comply with integrity, independence, objectivity, competence, professional behavior, confidentiality, and transparency.

The financial audit manual provides proper guidance for materiality. However, the practice, qualitative and quantitative materiality are not determined in each audit.

### Dimension (ii) Implementing Financial Audits

Risks are assessed, and activities to be performed are determined to respond to the risk. Activities include the audit procedure such as a test of control and substantive analytical procedure, and detail test. Auditor attempts to obtain sufficient and appropriate audit evidence. Focus areas for audit are determined in the planning of the audit. Many legal provisions are included to verify, and such provisions are verified at the time of implementation. The audit team obtains sufficient and appropriate audit evidence using external confirmation to verify Bank Account. However, documentation of using sampling techniques is lacking. Normally, an internal auditor's report is used, and unsettled issues are included in the final audit report. Auditors engage in auditing and collect all information before making an opinion.

Even though auditors perform audit procedures to obtain sufficient and appropriate audit evidence, it depends on professional judgment. It may not be easy to define adequate and proper evidence. Also, audit and audit activities are described in the audit, but actions are not segregated as per audit procedures. The cause or explanation of the non-performance of audit activities is not mentioned in the audit files.

### Dimension (iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits

Experienced auditors with no prior knowledge of the audit can understand the nature, timing, and extent of the audit procedures performed, the results, and the audit evidence obtained. Documentation takes place during the audit and just after the submission of audit reports. The content of documentation has already been defined. The head of the audited entity and chief of the accounting department is identified as responsible persons to communicate with auditors.

After audit findings, comments can be made to the preliminary report and annual report freely by the entities in the minute of the exit meeting. However, entities are requested to respond to the initial audit report within 35 days. The evaluation of uncorrected misstatements in all three aspects, materiality, individually or in aggregate, is reported when expressing an opinion. Unmodified opinion and qualified opinion are given while the adverse view is not shown because the materiality of misstatement is not so pervasive, and disclaiming view is also not given because such condition does not happen.

The auditor's reports are written and contain all elements from paragraph 149 of ISSAI 2200. They are easy to understand and are prepared based on objectivity, fairness with sufficient evidence.

Audit observations and recommendations are written clearly and concisely. It is the legal responsibility of the entity's head or responsible person to implement audit findings and necessary corrective measures. When the conditions for the acceptance of the financial reporting framework are not met, the auditor evaluates the effect of the financial statements' misleading nature and reports in the Annual Report, submitted to the President and deliberated in the legislature. Even if OAGN does not have a writing Emphasis Matter paragraph, such matters are highlighted in a management letter or long-form report.

#### 4.3.3.1 Assessment Scores by Dimension

Dimension	Score
(i) Planning Financial Audits.	2
(ii) Implementing Financial Audits.	3
(iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits.	3
<b>Overall Score</b>	<b>3</b>

#### 4.3.3.2 Assessment Findings

SAI-10 Financial Audit Process		
Dimensions	Findings	Score
(i) Planning Financial Audits	Most criteria are in place, but qualitative and quantitative materiality has not been determined in each audit. Consequently, there is no independent assessment to confirm that OAGN complies with all INTOSAI Standards requirements.	2

(ii) Implementing Financial Audits	There is no independent assessment to confirm that OAGN complies with all INTOSAI Standards requirements.	3
(iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits	There is no independent assessment to confirm that OAGN complies with all INTOSAI Standards requirements.	3

#### 4.3.4 SAI-11 Financial Audit Results

This indicator assesses outputs of the financial audit function of the OAGN, the timely submission and publication of financial audit reports, and the follow-up of audit observations and recommendations.

The indicator is separated into three dimensions:

- (i) Timely Submission of Financial Audit Results
- (ii) Timely Publication of Financial Audit Results
- (iii) SAI Follow-up on Implementation of Financial Audit Observation and Recommendations

##### Dimension (i) Timely Submission of Financial Audit Results

Almost all financial statements are received during the audit, and audit opinion and audit reports are submitted within six months.

##### Dimension (ii) Timely Publication of Financial Audit Results

Annual reports of the federal government and provincial reports were published through the official website immediately after submitting the report to President. Local levels are also obliged to issue audit reports.

##### Dimension (iii) SAI Follow-up on Implementation of Financial Audit Observation and Recommendations



OAGN has an internal follow-up system to ensure that audited entities properly address their observations. Follow-up takes place regularly based on recovery, submitted documents, and get regulated by secretaries. But as per section 41(3) of the Financial Procedure and Fiscal Accountability Act, OAGN must settle audit findings based on parliament's decision without judging the improvement.

The objective of the OAGN follow-up process is whether the concerned entities properly address the issues or not.

OAGN's follow-up procedures allow the audited entity to provide information regarding corrective measures within 35 days after receiving observations.

However, OAGN does not establish a practice for evaluating materiality to determine when a follow-up requires additional investigations or audits. Furthermore, OAGN does not provide a separate follow-up report to the legislature but includes the ministry-wise detailed status of follow-up in the annexure of its annual report. Moreover, no separate publication of the report for follow-up audits takes place.

#### 4.3.4.1 Assessment Scores by Dimension

Dimension	Score
(i) Timely Submission of Financial Audit Results.	4
(ii) Timely Publication of Financial Audit Results.	4
(iii) SAI Follow-up on Implementation of Financial Audit Observation and Recommendations	2
<b>Overall Score</b>	<b>3</b>

#### 4.3.4.2 Assessment Findings

SAI-11 Financial Audit Results		
Dimensions	Findings	Score
(i) Timely Submission of Financial Audit	All of the criteria are in place	4

Results and Dimension		
(ii) Timely Publication of Financial Audit Results	All of the criteria are in place.	4
(iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits	There are only three criteria, a, b and d, in place.	2

#### 4.3.5 SAI-12: Performance Audit Standards and Quality Management

SAI-12 looks at the foundations for the performance audit practice of OAGN, including audit standards and guidance material and the processes to ensure the quality of performance audits. OAGN's overall systems for ensuring the quality of the audit work are assessed in the indicators on quality control and staff recruitment and training.

There are three dimensions to be evaluated:

- (i) Performance Audit Standards and Policies
- (ii) Performance Audit Team Management and Skills
- (iii) Quality Control in Performance Audit

##### Dimension (i) Performance Audit Standards and Policies

OAGN performance audit guide is prepared in line with ISSAI 3000. The Annual Audit Plan of OAGN (the policy level document), OAGN PA guide entity-level plan, and Performance audit report identify the element (auditor, responsible party, intended users, subject matter, and criteria) of each PA. Performance Audit objective defined in OAGN performance audit guideline,

Annual Audit Plan, and Annual plan of Performance Audit Decision incorporates economy, efficiency, and effectiveness principles. Based on the nature of selected topics, the OAGN follows either a system-oriented approach or a result-oriented approach, or a problem-oriented approach or combination to facilitate audit design's soundness. Performance auditors determine relevant & reasonable audit criteria from legal & valid sources of document for measuring the economy, efficiency, and effectiveness. Appropriateness of audit criteria was reassured during supervision and pre-issuance review of the audit report as well.

The OAGN audit team analyzes audit risk at Pre Study and Survey stage to manage the audit risk. The audit team develops a risk analysis form based on the study, an integral part of the performance audit plan. In addition, the audit team uses the Overview of Risk Assessment Process and Risk assessment form to manage the risk. OAGN connects with the audited entities and relevant stakeholders throughout the audit process. It formed a Stakeholders Committee, which provides suggestions while selecting the audit topics.

Furthermore, OAGN organizes meetings with the Ministry's chief executives to communicate the Annual Audit Plan and subject matter of the performance audit. PA auditors are appointed based on their skills, national and international training on PA, experiences, and academic qualifications. The OAGN also takes into account previous audit experience of the subject matter. Professional judgment and skepticism have been safeguarded by applying a code of conduct, orientation, close supervision of each audit stage, and review of audit teamwork.

PA procedure at each stage of the audit is clearly defined in the Performance audit guide. Each stage of the audit is supervised. Pre issuance review of the audit report was practiced to ensure a balanced and unbiased report. Two layers of the review system and quality assurance system are functioning within OAGN. Materiality is considered while selecting the audit topic, drafting audit issues, audit evidence, and finalizing audit observation. OAGN's performance audit documentation policy is stated in the guideline to ensure quality audit and individuals performance auditor professional development. The PA plan included audit cost, time frame to complete audit, audit design matrix, and risk assessment to conduct an audit efficiently and effectively. The PA guideline provides a complete framework to plan audits.

Nature, sources, and means for gathering audit evidence are defined in the audit plan and used in the execution process. The OAGN ensures sufficient appropriate audit evidence through

supervision and the review process. According to the PA Guidelines, auditors have to provide audit reports which are comprehensive, convincing, timely, reader-friendly, and balanced. The report is publicly available on OAGN's website.

OAGN provides constructive recommendations on each observation. The recommendation addresses the root cause of the deviation from audit criteria, and OAGN also follows up on previous audit findings and recommendations.

OAGN has also adopted policies and procedures about how it has chosen to implement its audit standards. It considers the significance, materiality, impact of audit, and the risk to good management for selecting potential topics. The auditors analyze quantitative and qualitative data to form audit observation. The PA report format includes audit objective, criteria, methodology, data sources, audit findings, conclusions, and recommendations. OAGN also has a documentation policy and procedure for PA working papers.

#### Dimension (ii) Performance Audit Team Management and Skills

The OAGN established a system to ensure that the audit team has sound knowledge of [performance] auditing. It considers the experience, training, skills of auditors while allocating performance audit topics to the auditor. In the Pre-study and survey stage of the planning process, auditors acquire knowledge about government organizations, programs, and functions. It annually conducts training to enhance and sharpen the analytical, writing, and communication skills of auditors. The abilities and experiences of auditors are considered while forming an audit team. Job allocation is clearly defined among the team members, ensuring clear reporting lines and allocating responsibilities. OAGN provides regular training to auditors on setting audit objectives, audit procedures, audit questions, and audit criteria. If necessary, OAGN supports the team to get the service of an expert. Auditors generally prepare the questionnaires to gather the information from statistical analysis, surveys, interviews and focus group discussion. Practically, auditors prepare the different forms and send them to the respective auditee and collect the information. Auditors evaluate the evidence to obtain audit findings. Audit findings should be directly related to audit objective/s and audit questions. They should provide the answers to the audit questions.

The audit report should include all the information needed to address the audit objective and audit questions while sufficiently detailed to understand the subject matter and the findings and conclusions. It should be logically structured and present a clear relationship between the audit

objective, criteria, findings, conclusions, and recommendations. OAGN provides orientation training to auditors on writing a good audit report. Furthermore, OAGN hires subject matter expert services to support auditors. Recommendations are written clearly. They are linked to audit root cause of deviation from what should be done. Recommendation attributes 3H as follows:

1. who should implement it;
2. when should implement it, and
3. what should be implemented.

However, all auditors at OAGN have neither research design nor social science methods knowledge. Also, even if Performance Audit Guidelines mention those knowledge, skills, and expertise required to some extent, the system has not been arranged in line with PA Guidelines.

#### Dimension (iii) Quality Control in Performance Audit

OAGN has established a quality control & quality assurance mechanism. To ensure audit reports and audit evidence quality, two-layer reviews of pre-issuance reviews of audit reports and audit working paper files exist. Every year, selected files are reviewed by the quality assurance committee and provide the overall report to Auditor General. Audit teamwork has been supervised at each stage of the audit for Audit quality. Quality Control and Quality Assurance mechanism are established within the OAGN. "Where difficult or contentious matters arise, OAGN can hire expert service. Audit reports are issued to the audited entities/ responsible parties only after supervisor review.

However, the differences of opinions between supervisor and audit team are not documented, and OAGN does not review the audit by an experienced auditor who is not involved in the audit before a report is issued.

#### 4.3.5.1 Assessment Scores by Dimension

Dimension	Score
(i) Performance Audit Standards and Policies.	4
(ii) Performance Audit Team Management and Skills.	3
(iii) Quality Control in Performance Audit.	2

<b>Overall Score</b>	<b>3</b>
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#### 4.3.5.2 Assessment Findings

<b>SAI-12 Performance Audit Standards and Quality Management</b>		
<b>Dimensions</b>	<b>Findings</b>	<b>Score</b>
(i) Performance Audit Standards and Policies	All of the criteria are in place	4
(ii) Performance Audit Team Management and Skills	The SAI has established a system to ensure that the audit team has the necessary professional competence to perform the audit. Still, auditors have neither research design nor social science methods knowledge, and the system about the knowledge, skills, and expertise required for conducting a performance audit is not identified.	3
(iii) Quality Control in Performance Audit	All works are subjected to be reviewed. However, differences of opinions between supervisor and audit team are not documented, and OAGN cannot review the whole audit by an experienced auditor not involved in the audit before issuing a report.	2

#### 4.3.6 SAI-13 Performance Audit Process

SAI-13 examines how OAGN carries out performance audits, especially in the planning, implementation, and reporting phases. To score this indicator, sampling performance audit reports from OAGN are selected and reviewed. The SAI-PMF team also interviewed the auditors for more information.

There are three dimensions to be assessed

##### (i) Planning Performance Audits

(ii) Implementing Performance Audits

(iii) Reporting of Performance Audits

#### Dimension (i) Planning Performance Audits

To ensure the audit is properly planned, performance auditors carried out a pre-study about the entity's business. Auditors collect all basic information (policy, plan, budget, rules, regulations, operating procedure, progress, reports, etc.) to gain the overall knowledge of entities or subject matter. Auditors make a Pre Study Report (PSR) before preparing a detailed audit plan. Auditors collect possible topics, project programs from other audit types and prepare a list of possible audit topics. The auditors prepare the topic selection matrix by applying evaluation criteria like materiality, visibility and significance, the risk to good audit management, and audit impact. After prioritization based on the evaluated score, the Assistant Auditor General of the performance audit division submits it to the Central Coordination Unit (CCU), which the Auditor General chairs for final approval. Auditors consider qualitative and quantitative materiality at all stages of the audit process. The audit objective is mentioned in the Performance Audit guidelines and Annual Audit Plan of OAGN. The aim of the performance audit attributed principles of economy, efficiency, and effectiveness. The entity-level plan's audit objective is in line with the objective mentioned in the PA guide and policy-level document. The audit team prepares an audit-designed matrix that includes audit objectives in the form of main audit questions and is broken down into sub-questions. Auditors choose all kinds of approaches (result-, problem- or system-oriented) to facilitate audit design's soundness. It depends on the nature of the examination. To test the audit questions, OAGN can set audit criteria on an appropriate and reasonable basis. To ensure audit criteria are suitable to correspond to the audit objective and audit questions, OAGN has a practice of supervision and review.

The audit team develops the audit-designed matrix to design audit procedures for gathering a sufficient and appropriate design matrix. The audit team prepares the Audit Plan by considering the economy, efficiency, and effectiveness according to the performance audit guide. OAGN also considers the audit cost while conducting the audit. External expertise is required, if necessary. OAGN has prepared a Code of Conduct for the auditors in line with ISSAI 30. Before starting an audit, all the team members should declare commitments to comply with the code of ethics.

However, there is no discussion about suitable criteria with the audited entities, and there is no risk of fraud assessment.

#### Dimension (ii) Implementing Performance Audits

Auditors obtain sufficient appropriate audit evidence to establish findings. Recommendations are explicitly written on each observation or findings. Auditors compare and evaluate the evidence with its criteria and make audit findings if deviations are found. Auditors collect the data from primary and secondary sources. Preliminary data are collected through interviews and questionnaires sent by email to auditee and stakeholders, etc. Likewise, secondary data are collected from published documents, reports, annual reports, media news, etc. Auditors always combine and compare the data to come to any conclusion. Auditors exercise professional judgment to conclude. Suppose audit team members could not find the solution. In any difficulties beyond their professional judgment capacity, they asked the supervisor or Deputy Auditor General. Auditors follow the analytical process to get audit findings based on the audit findings, and the auditor concludes. The analytical processes to evaluate the primary and secondary data establish the relationship between financial and non-financial data.

A high standard of professional behavior should be maintained throughout the audit process. Auditors know applicable laws, regulations, policies, procedures, and practices under which they have to demonstrate professional behavior. OAGN has established a control procedure to check undue advantage. The auditor should comply with the code of ethics during the audit process.

The auditors go through the pre-study, survey, Risk assessment form, Risk analysis, input -process- output - outcome process, and collect sufficient and appropriate evidence to mitigate audit risk. The audit team considered materiality at all stages of an audit. For example, the team considered it on PA topics selection, prioritize audit criteria, and analyzing audit evidence. The auditors maintain communications with the audited entities and relevant stakeholders throughout the audit process. The auditors documented all relevant audit evidence. Supervisor and reviewer review the sufficiency and completeness of the working paper.



### Dimension (iii) Reporting on Performance Audits

The OAGN performance audit report provides finding and conclusions on the program's economy, efficiency, and effectiveness. OAGN makes an effort to provide a comprehensive audit report. The PA report includes all the information needed to address the audit objective and audit questions, findings, and conclusions of the audit report backup from facts and figures. The audit report is written in a structured way, and each observation includes the five components:

- Criteria
- Condition
- Cause and Effect
- Consequence
- Corrective action (recommendation)

Meanwhile, all the audit findings and conclusions are correctly depicted. Audit reports are reader-friendly because the language is simple. OAGN emphasized a clear and concise presentation of the report. The audit reports are balanced. They note entities' achievements and good practices and report findings and conclusions based on the evidence.

The PA team considers qualitative and quantitative materiality while prioritizing its evaluation criteria and analyzing audit evidence. The team mentioned the sources of criteria in the audit report. The report answers the audit questions by examining the root cause of deviation why this was not possible. The OAGN seeks to provide practical and applicable suggestions that can be implemented without resources' extra burden. The recommendation address the "What should do?", "When should be done?" and "Who is responsible for doing?".

Audited entities are allowed to comment on the audit findings, conclusions, and recommendations. The exit meeting let audited entities respond to audit findings. In addition, OAGN provides 35 days to audited entities for sending their written response on the preliminary audit report. Any disagreements with the audited entity are analyzed, and factual errors are corrected. The examination of feedback is recorded in working papers.

However, there is no declaration on which standards OAGN applies when conduct audits.

#### 4.3.6.1 Assessment Scores by Dimension

Dimension	Score
(i) Planning Performance Audits.	3
(ii) Implementing Performance Audits.	3
(iii) Reporting of Performance Audits.	3
<b>Overall Score</b>	<b>3</b>

#### 4.3.6.2 Assessment Findings

SAI-13 Performance Audit Process		
Dimensions	Findings	Score
(i) Planning Performance Audits	All of the criteria, except criteria (h) and (J), are in place, but there is no independent assessment	3
(ii) Implementing Performance Audits	All of the criteria are in place, but there is no independent assessment.	3
(iii) Reporting of Performance Audits	All of the criteria, except criteria (j), are in place, but there is no independent assessment.	3

#### 4.3.7 SAI-14: Performance Audit Results

This indicator relates to performance audit outputs – the timely submission and publication of performance audit reports and the follow-up on audit results. The assessment of this indicator is based on management information system and quality assurance review to review these three dimensions:

(i) Timely Submission of Performance Audit Reports

(ii) Timely Publication of Performance Audit Reports

(iii) SAI Follow-up on Implementation of Performance Audit Observations and Recommendations

#### Dimension (i) Timely Submission of Performance Audit Reports

Audit reports are submitted to the audited entity management within 15 days after the completion of the audit. But the exact time is not mentioned/defined on Audit Act and Performance Audit Guideline.

#### Dimension (ii) Timely Publication of Performance Audit Reports

All the auditor reports are embedded and available on the OAGN website on the Annual Audit Report submission day.

#### Dimension (iii) SAI Follow-up on Implementation of Performance Audit Observations and Recommendations

Performance Audit Guidelines, 2012 mentions that OAGN may select audit topics/entities/issues/projects to conduct follow-up audits after 3 to 5 years of previous audit (80.4.3). Therefore, OAGN conducts a follow-up audit for selected topics. The follow-up audit focuses on implementing audit recommendations and corrective action taken by the management on problems pointed out in the audit report. The follow-up procedure gives the entity sufficient time to implement audit recommendations or resolve the issues pointed out from the audit.

#### 4.3.7.1 Assessment Scores by Dimension

<b>Dimension</b>	<b>Score</b>
(i) Timely Submission of Performance Audit Reports	4
(ii) Timely Publication of Performance Audit Reports	4
(iii) SAI Follow-up on Implementation of Performance Audit Observations and Recommendations	2
<b>Overall Score</b>	<b>3</b>

## 4.3.7.2 Assessment Findings

<b>SAI-14: Performance Audit Results</b>		
<b>Dimensions</b>	<b>Findings</b>	<b>Score</b>
(i) Timely Submission of Performance Audit Reports	Audit reports are submitted to the audited entity management within 15 days after completion of the audit	4
(ii) Timely Publication of Performance Audit Reports	All the auditor reports are embedded and available on the OAGN website.	4
(iii) SAI Follow-up on Implementation of Performance Audit Observations and Recommendations	<ul style="list-style-type: none"> <li>-The follow-up reports don't include the conclusions and impacts of all relevant corrective action.</li> <li>-The follow-up is not reported appropriately to provide feedback to the legislature.</li> <li>-The follow-up reports don't include analysis of different audits, possibly highlighting common trends and themes across several reporting areas.</li> <li>-OAGN does not establish a practice for evaluating materiality and the importance of the identified problems to determine if a follow-up requires a new additional audit.</li> </ul>	2

#### 4.3.8 SAI-15: Compliance Audit Standards and Quality Management

OAGN does not have a separate Compliance Audit (CA) guide. But compliance audit is being conducted together with a financial audit based on the Financial Audit Manual (FAM).

This indicator is specific to the fundamental principles of compliance auditing. SAI-15 looks at the foundations for compliance audit practice, including audit standards and guidance material and an SAI's processes to ensure the quality of compliance audits. The SAI's overall

systems for ensuring the quality of the audit work are assessed in quality control indicators in SAI-4 and staff recruitment and training in relevant audit disciplines in SAI-22 and SAI-23.

Dimensions to be assessed:

- (i) Compliance Audit Standards and Policies
- (ii) Compliance Audit Team Management and Skills
- (iii) Quality control in Compliance Audit

#### Dimension (i) Compliance Audit Standards and Policies

Section 3.7.3 of FAM focuses on regularity in CA. Nepal Constitution and Audit Act mandate propriety and regularity in CA. The audit plan determines subject matters. In the case of CA limited, assurance is provided. FAM 3.9 is the basis for identifying and assessing inherent control and detection of CA risk, included in the audit plan and applied in the audit process. FAM 3.8.1 states about determining materiality and planning; working paper SP2 talks about materiality and planning lead schedule. Section 6.2 of FAM deals with audit documentation, nature of audit documentation, permanent file, current files, the structure of files, working paper, cross-referencing, and indexing. FAM 4.2 states that audit objectives, scope, timelines, and management responsibility are discussed, and from time to time, audit matters are discussed and communicated during the entrance conference.

FAM 5.5.1 describes audit criteria. CA's subject matters are related to compliance with laws, budgets, policies, and procedures per section 3.7.3 of FAM. Auditors determine audit scope in detail in entity audit plan mentioning the legislation to comply and subject to be approved by Assistant Auditor General. Section 3.7 of the FAM states understanding the entity's business and environment, including accounting policies and internal controls. Appendix SP4 of FAM guides to understand control environment and internal control. FAM 3.9.2 has a process relating to the identification and assessment of risks for the audit. Section 3.12 of FAM describes that auditor needs to consider fraud and respond to it. Sections 3.12.3 mention the Auditor's responsibilities about fraud.

Section 3.4 of FAM states about overall audit strategy, and section 3.20 deals with the Audit planning memorandum in which audit strategy, scope timing, and direction of the audit are mentioned. The format for the Audit Strategy Planning Memorandum is provided in SP8. Section

4.6 of FAM describes the audit procedures for obtaining audit evidence to conclude. FAM 5.2 is almost similar to the given characteristics of the audit report. Similarly reporting policy standard also highlights the same thing.

OAGN has also adopted policies and procedures about how it has chosen to implement its audit standards. FAM 3.8.1 states about determining materiality when planning working paper SP2 talks about materiality and planning lead. Section 6.2 of FAM deals with audit documentation, nature of audit documentation, permanent file, current files, and structure of files, which guides form content and extent of audit documentation. Policies and procedures for considering the nature, timing, and extent of further audit procedures are mentioned in section 3.15.1 of FAM.

#### Dimension (ii) Compliance Audit Team Management and Skills

OAGN has established a system to ensure that individuals in the audit team collectively possess the knowledge, skills, and expertise necessary to complete the compliance audit successfully. Section 2.5 of FAM describes the competency of the audit team. Furthermore, PE4 provides a format for the competency matrix. Section 2.5 of FAM stated that the auditor needs to have an understanding of professional Standards. FAM 3.7 clears that the auditors must have an account of the audited entity. Qualification and experience of auditors are assessed for ability and experience to exercise professional judgment. However, special knowledge, skills, and expertise for conducting CA have not been determined. Workforce selection is done by the public service commission and trained in a different program.

If the external expert is necessary, as per Audit Act, OAGN can hire external experts as required. Reporting lines are clear to their respective supervisors, and audit team starts audit after dividing responsibility among team members.

OAGN provides support as necessary to its auditors. The important legislation is described in the audit plan. The website of SAI Nepal contains related legislation. It coordinates with concerned entities for the documents not kept on the website. It reimburses for documents purchased by auditors. The audit plan approved by the concerned authority contains the required criteria for audit. 5.12 of FAM provides the basis for the level of assurance. FAM 3.17.3 explains those three types of risks. Appendix SP4 describes the control environment and internal control. In Consideration of Fraud in 3.12 of FAM states about fraud risk factors. 4.7, 4.9, 4.10, 4.11 of FAM explains the test of control, the test of detail, substantive procedure. Section 3.4 of FAM

states about overall audit strategy, and section FAM 3.20 deals with the Audit planning memorandum in which audit strategy, scope timing, and direction of the audit are mentioned. The format for the Audit Strategy Planning Memorandum is provided in SP8. Section 4.6 of FAM describes the audit procedures for obtaining audit evidence to conclude and produce audit opinions. Reporting standard of SAI Nepal contains those features of a written report.

#### Dimension (iii) Quality Control in Compliance Audit

All work carried out should be subject to review. The special format was included and circulated to the auditor to conduct a review of audit files. Assistance Auditor General approves entity audit plan, and two tier supervision mechanism has been inbuilt. Progress monitoring is undertaken in the staff meeting held in the presence of the Auditor General. The auditor conducts an audit based on an audit plan, guides, and policies to ensure quality control. There is a practice for hiring consultants. However, a written response and memo system to solve contentious matters is lacking. It is discussed verbally, but no documentation of difference of opinion is found in the audit file. The reviewer can provide instructions to the auditor. Auditors should issue the report as per the directions of the supervisor. Supervisor reviews draft preliminary reports sent by audit teams and provide instructions. Pre-Issuance Review is in place for some audits. The supervisor reviews draft reports and authorizes them to be issued.

#### 4.3.8.1 Assessment Scores by Dimension

<b>Dimension</b>	<b>Score</b>
(i) Compliance Audit Standards and Policies	4
(ii) Compliance Audit Team Management and Skills	1
(iii) Quality Control in Compliance Audit	3
<b>Overall Score</b>	<b>3</b>

## 4.3.8.2 Assessment Findings

<b>SAI-15: Compliance Audit Standards and Quality Management</b>		
<b>Dimensions</b>	<b>Findings</b>	<b>Score</b>
(i) Compliance Audit Standards and Policies	All of the criteria are in place	4
(ii) Compliance Audit Team Management and Skills	All of the criteria, except "e," which is the most important one, are in place.	1
(iii) Quality Control in Compliance Audit	Every criterion is met except the criteria about the documentation of the difference of opinion is missing.	3

**4.3.9 SAI-16 Compliance Audit Process**

This indicator looks at how compliance audits are carried out in practice. It distinctly examines the planning phase, the implementation phase, and the reporting phase. The scoring of this indicator is done based on a review of a sample of compliance audit files from the year under review. Evidence may also be taken from the OAGN's quality assurance reports, where the assessor determines that these can be relied upon. It may also be helpful to interview the audit teams that conducted the sampled audits. As a rule, the criteria covered by the criteria should be documented for the criteria to be considered met, such as in the audit plan, in the working papers, or the audit report.

Dimensions to be assessed:

- (i) Planning Compliance Audits
- (ii) Implementing Compliance Audits
- (iii) Evaluating Audit Evidence, Concluding and Reporting of Compliance Audits

**Dimension (i) Planning Compliance Audits**

Auditors consider audit risk throughout the audit process. FAM 3.9 is the basis for identifying and assessing inherent control, detection, and non-compliance risk, which is a part of



the audit plan and applied in the audit process. Auditors must include matters and criteria in the audit plan. Auditors keep a separate section of audit scope in the entity audit plan to enable the compliance of matters with criteria. Auditor studies include an introduction, related laws, workflow chart, organizational structure, policies, and budget of the entity in the entity's audit plan. Audit criteria are informed and discussed at the execution stage of the audit. Content of Ministry level and entity-level audit plan includes the format to understand and assess the control environment and internal controls. Each audit plan needs to describe the control environment. It also consists of the format to assess the risk. Each Directorate maintains a risk register and records the information about fraud and mismanagement published in media. While conducting the risk assessment, the auditor gives priority to the situation of committing fraud. On top of this, the Institutional relation and communication directorate also collects information from different sources and disseminates it to the concerned directorates.

Overall Annual audit Plan is prepared and approved by Auditor General. Based on the annual plan, Ministry Level Audit Plan is ready by Division and supported by Deputy Auditor General. In addition, each audit team prepares an entity-level audit plan in which audit strategy, nature, timing, and extent of the audit are mentioned. Furthermore, OAGN has established a system to ensure that its auditors and any contractors comply with the ethical requirements by signing a code of ethics declaration, which is in PE2 of Appendix.

However, even if Section 3.7.3 of FAM focuses on CA's regularity and propriety and regularity in CA are mandated by the constitution and audit activity, the audit plan determines subject matters. Section 5.12 of FAM provides the basis for providing audit assurance in unqualified, qualified, and modified. However, there is no direct information that the auditor identifies the elements relevant to compliance auditing before conducting a compliance audit. Also, materiality by value, nature, and context has not been determined in each audit.

#### Dimension (ii) Implementing Compliance Audits

Auditors determine the nature, timing, and extent of the audit based on the risk assessed. In case of fraud indication, the adoption of professional due care comes under the auditor's responsibility. External experts are hired based on defined criteria, and they cannot be hired again when their performance is poor. The auditor performs audit procedures to obtain sufficient and appropriate audit evidence to conclude. However, it depends upon professional judgment, and it

may not be easy to define adequate and proper evidence. No explanation is given for the procedures that are not performed.

#### Dimension (iii) Evaluating Audit Evidence, Concluding and Reporting of Compliance Audits

Documentation is in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand the relationship between the subject matter, the criteria, the scope of the audit, the risk assessment, the audit strategy, and audit plan, and the nature, timing and extent and the results of procedures performed. The audit evidence supports the auditor's conclusion, opinion, or report; and records reasoning on all significant matters that required the exercise of professional judgment and related conclusions. Documentation takes place during the audit and just after the submission of audit reports. The content of documentation has already been defined. The evaluation of audit evidence takes place by the auditor and supervisor.

According to OAGN practice, a responsible person, as specified in the Financial Procedures and Fiscal Accountability Act, head of the entity, and chief of accounting department are communicated about non-compliance at audit execution time. In addition, audited entities can comment and recommend audit findings during exit meetings while replying to the preliminary audit report before making the annual report final.

Reporting standards are based on the principles of completeness, objectivity, timeliness, and a contradictory process. Compliance Audit reports have all elements mentioned in ISSAI 400 paragraph 59. Auditors are instructed to write a specific and clear, concise report, but the management letter is issued covering only major non-compliances based on sufficient evidence.

Legal responsibility lies to the entity's head as a responsible person to implement audit findings and take necessary corrective measures. The audit observations are expressed clearly, stating Criteria, Condition, Cause, Consequence, and Corrective Action. In the case of the compliance audit, a separate opinion is not provided. However, a view on the financial statement of the Ministry level is provided.

##### 4.3.9.1 Assessment Scores by Dimension

Dimension	Score
(i) Planning Compliance Audits	3
(ii) Implementing Compliance Audits	3

(iii) Evaluating Audit Evidence, Concluding and Reporting of Compliance Audits	3
<b>Overall Score</b>	<b>3</b>

#### 4.3.9.2 Assessment Findings

<b>SAI-16 Compliance Audit Process</b>		
<b>Dimensions</b>	<b>Findings</b>	<b>Score</b>
(i) Planning Compliance Audits	Audit risk is considered throughout the audit process. Auditors understand the audited entity, and more than six other criteria are met, but there is no independent assessment	3
(ii) Implementing Compliance Audits	All of the criteria, except "e," which is the most important one, are in place.	3
(iii) Evaluating Audit Evidence, Concluding and Reporting of Compliance Audits	Every criterion is met, but there is no independent assessment.	3

#### 4.3.10 SAI-17: Compliance Audit Results

This indicator assesses outputs of the SAI's compliance audit function, the timely submission and publication of compliance audit reports, and the follow-up of audit observations and recommendations.

Dimensions to be assessed:

- (i) Timely Submission of Compliance Audit Results
- (ii) Timely Publication of Compliance Audit Results
- (iii) SAI Follow-up on Implementation of Compliance Audit Observations and Recommendations

#### Dimension (i) Timely Submission of Compliance Audit Results

Audit reports are submitted within the nine months from the end of the Fiscal Year.

#### Dimension (ii) Timely Publication of Compliance Audit Results

Annual reports of the federal government and provincial reports were published through the official website immediately after submitting the report to the president. Local levels are also obliged to publish audit reports.

#### Dimension (iii) SAI Follow-up on Implementation of Compliance Audit Observations and Recommendations

OAGN has an internal follow-up system to ensure that audited entities properly address their observations. Follow-up takes place regularly based on recovery, submitted documents, and get regulated by secretaries. But as per section 41(3) of the Financial Procedure and Fiscal Accountability Act, OAGN must settle audit findings based on parliament's decision without judging the improvement. The objective of the OAGN follow-up process is to make sure whether the concerned entities properly address the issues or not. In addition, OAGN allows for the audited entity to provide information on corrective measures taken or why corrective actions were not taken.

However, OAGN does not provide a separate follow-up report to the legislature but includes the ministry-wise detailed status of follow-up in the annexure of its annual report. Also, no separate publication of the report for follow-up occurs, and there is no additional investigation and audit. Still, documents related to the particular issue are reviewed and re-observed. Follow up audit practice is in place

#### 4.3.10.1 Assessment Scores by Dimension

Dimension	Score
(i) Timely Submission of Compliance Audit Results	3
(ii) Timely Publication of Compliance Audit Results	4
(iii) SAI Follow-up on Implementation of Compliance Audit Observations and Recommendations	2
<b>Overall Score</b>	<b>3</b>

## 4.3.10.2 Assessment Findings

<b>SAI-17: Compliance Audit Results</b>		
<b>Dimensions</b>	<b>Findings</b>	<b>Score</b>
(i) Timely Submission of Compliance Audit Results	Reports are submitted within nine months	3
(ii) Timely Publication of Compliance Audit Results	Reports were published through the official website immediately after the submission of the report to the president.	4
(iii) SAI Follow-up on Implementation of Compliance Audit Observations and Recommendations	Criteria a, b, and c are met.	2

## 4.4 DOMAIN D: Financial Management, Assets and Support Services

<b>Domain D: Financial Management, Assets and Support Services</b>		<b>Dimensions</b>				<b>Overall score</b>
<b>Indicator</b>	<b>Name</b>	<b>i</b>	<b>ii</b>	<b>iii</b>	<b>Iv</b>	
SAI-21	Financial Management, Assets and Support Services	3	4	4		4

## 4.4.1 SAI-21 Financial Management, Assets and Support Services

OAGN requires adequate financial resources, assets, and well-managed support services to function effectively. Management of financial resources must follow a system characterized by transparency and accountability, including internal control and documentation of costs.

OAGN also needs to demonstrate effective planning and use of its assets, including offices and training centers, vehicles, archiving facilities, office equipment, and IT hardware and software. Finally, to make the best use of infrastructure and equipment, OAGN needs well-functioning support services to manage, for example, IT, finance, archiving, and assets.

The indicator is separated into three dimensions including:

- i. Financial Management
- ii. Planning and Effective Use of Assets and Infrastructure
- iii. Administrative Support Services

#### Dimension (i) Financial Management

Responsibilities for major financial management activities are assigned. Under the Assistant Auditor General (AAG), a separate Financial Administration Directorate is established with roles and responsibilities to prepare the budget, keep books of account of expenditures and revenues, and prepare monthly, quarterly progress reports (QPRs) financial statements, and present them for audit. The Financial Administration Directorate is lead by a Director (Gazetted Class II Officer) and assisting one Officer (Gazetted Class III Officer) and five other non-gazetted staff.

OAGN has a system of delegation of authority for financial activities. The Deputy Auditor General (DAG) of the Management Division as Chief Accounting Officer and delegates his authority for handling financial and general administration to AAG. The AAG further assigns financial roles and duties to the Finance Director in the written form. The letter clearly explains the responsibilities of the Director as described above. Furthermore, each staff must submit the signed Work Description Sheet to the Management Division at the beginning and rotation of the job. Experienced and skillful staff are assessed before getting assigned the job in the Finance Directorate, and there is always on-the-job training from time to time.

OAGN does not have its financial manuals. However, OAGN is following the Government Financial Procedures, and all financial activities are conducted based on the following rules and regulations:

- Financial Procedure and Financial Accountability Act, 2019
- Financial Procedure Rules, 2007
- Public Procurement Act, 2007

- Public Procurement Rules, 2007
- Nepal Government's Accounts Directives, 2016 issued by Financial Comptroller General's Office (FCGO)
- Operational Guideline, 2019 issued by the Ministry of Finance
- Budget Implementation Guidelines (annually updated by the Ministry of Finance)

All acts, rules, regulations, and manuals are available to all staff and can be accessed through the library and electronic copy.

OAGN has clear timetables and procedures for the budgeting process. As Per prevailing laws and regulations, the details regarding current FY's budgeting are as follows;

- National Planning Commission (NPC) provided Budget Ceiling and Guideline on February 12, 2020 ( as required by the Financial Procedures and Financial Accountability Act, 2019, Section 8(1));
- The budget was proposed to the Ministry of Finance (MoF), and discussion was held with NPC in MoF on March 18, 2020 (as mentioned in the letter received from NPC);
- Discussion with MoF for the approval of the budget and posting the details on LMBIS(Line Ministry Budgetary Information System) April 17, 2020;
- The budget was presented to Parliament by the Honorable Finance Minister on May 28, 2020 (15<sup>th</sup>Jestha, 2077 BS) as per the provisions of the Constitution of Nepal;
- The Parliament approved the Budget (The Appropriation Act, 2020/21) on June 29, 2020 (15<sup>th</sup>Asadh, 2077 BS);
- MoF issued the Authorization of Expenditure and Budget Implementation Guideline (as prescribed by the Appropriation Act, 2020, Section 9) on July 16, 2020 (1<sup>st</sup> Shrawan, 2077 BS).

In addition to the Computer-Based Government Accounting System (CGAS) used for maintaining the cost record of functioning staff, OAGN also uses other Financial Management Information System (FMIS) as prescribed by the Ministry of Finance and the Financial Comptroller General Office including, but not limited to LMBIS for budget and annual program-related information, CGAS (Computerized Government Accounting System) for Accounting

purpose, TSA (Treasury Single Account) for Treasury purpose, and RMIS (Revenue Management Information System) for Revenue record.

Nevertheless, there were more than 10% deviations during the past three years in the two consecutive years. Therefore, the fewer expenses of the fiscal year 2018/19 and 2019/20 are the less progress of construction of the building and the effects of COVID 19, respectively.

Lastly, although OAGN has prepared its Financial statements annually based on NPSAS (Nepal Public Sector Accounting Standards), which is in line with IPSAS and Unqualified audit opinion has been received, the financial statements are not subject to external independent audit as AG assigned the final audit to Constitutional Bodies Audit Directorate.

#### Dimension (ii) Planning and Effective Use of Assets and Infrastructure

OAGN has developed a long-term strategy or plan for its physical infrastructure needs and a shorter-term plan for its IT needs. The IT Strategic Plan, Operational Plan, and Action Plan direct to make the best use of ICT and develop appropriate technology infrastructure for fulfilling its vision and achieving the organizational goals. In addition, AG's action plan (point 5) has carried out a detailed analysis of the current physical infrastructure, HR, and available facilities and provided the direction for strengthening those resources.

In addition to the need analysis, OAGN has reviewed staff size by conducting the Organization and Management Survey. Moreover, the Nepal Audit Management System (NAMS) (2018-2021), under the "Strengthening of Office of the Auditor General of Nepal (OAGN)" project, has reviewed the adequacy of IT infrastructure. As a result, recommendations for future improvements regarding IT and infrastructure are mentioned in the annual report of AG.

Lastly, OAGN has provided a secure mechanism for records archiving. Annual reports are maintaining digital records, and audit reports are maintained both digitally and manually. Furthermore, OAG strictly follows the Record Management Regulations, 1970 (2027 BS) regarding government documents archiving and safety with different categories.

#### Dimension (iii) Administrative Support Services

Responsibility for IT support is assigned. One dedicated Directorate headed by a Gazetted 2nd Class officer with two Gazetted 3rd Class Officers working is responsible for IT support of



OAG. Besides, one contracted personnel assists day-to-day IT support for all Directorates. Each Directorate consists of one computer operator or Assistant computer operator to perform regular IT-based documentation.

Document or file management is the responsibility of every Directorate as per their work description. Every Directorate should maintain or archive documents as per Record Management Regulations, 1970, with different categories.

Responsibility for the management of assets and infrastructure is also clearly assigned. There is a separate section under the Administration Management Directorate responsible for these tasks. One Director coordinates every Unit, and the administration facilitation job assigned to them has been mentioned in the letter provided.

Lastly, administrative support functions are reviewed annually, and jobs are assigned accordingly. The Administrative support functions are performed as per the available budget, and improvement is made as per the basic need of office operation.

**The assessment team would like to highlight the following issue relating to this indicator.**

**Assessed responses for these issues are also provided.**

15. Financial statements are not subject to external independent audit

**Clarification from OAGN to issue No. 15**

As per the constitutional provision, AG is an auditor of all constitutional bodies, including his own office.

#### 4.4.1.1 Assessment Scores by Dimension

Dimension	Score
(i) Financial Management	3
(ii) Planning and Effective Use of Assets and Infrastructure	4
(iii) Administrative Support Services	4
<b>Overall Score</b>	<b>4</b>

## 4.4.1.2 Assessment Findings

<b>SAI-21 Financial Management, Assets and Support Services</b>		
<b>Dimensions</b>	<b>Findings</b>	<b>Score</b>
(i) Financial Management	<p><b>Criteria a, b, c, d, e, f, g, i, and k are met.</b></p> <ul style="list-style-type: none"> <li>• OAGN assigns responsibilities for financial management activities.</li> <li>• There is a system of delegation of authority.</li> <li>• There are financial manuals in place.</li> <li>• Budgeting and accounting staffs have the appropriate skill set.</li> <li>• There are clear timetables and procedures for the budgeting process.</li> <li>• There is a functioning Management Information System.</li> <li>• There is a system for recording functioning staff costs.</li> <li>• OAGN annually prepares a financial statement.</li> <li>• OAGN has received an unqualified audit opinion.</li> </ul> <p><b>Criteria h and j are not met.</b></p> <ul style="list-style-type: none"> <li>• The financial statements are not subject to external independent audits. Instead, AG assigns the final audit to Constitutional Bodies Audit Directorate.</li> <li>• There were deviations of more than 10% in the two consecutive years.</li> </ul>	3
(ii) Planning and Effective Use of Assets and Infrastructure	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• OAGN has developed an IT strategic plan.</li> </ul>	4

	<ul style="list-style-type: none"> <li>• OAGN has reviewed the size, staffing, and locations of its accommodation within the past five years.</li> <li>• OAGN has reviewed the adequacy of its IT infrastructure within the past three years</li> <li>• OAGN reports on any inadequacies relating to its assets and infrastructure in its annual report.</li> <li>• OAGN has secured access to appropriate archiving facilities</li> </ul>	
(iii) Administrative Support Services	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• Responsibility for IT support is assigned.</li> <li>• Responsibility for file management and archiving is assigned.</li> <li>• All administrative support functions have been reviewed within the past five years.</li> </ul>	4

#### 4.5 DOMAIN E: Human Resources and Training

Domain F: Human Resources and Training		Dimensions				Overall score
Indicator	Name	i	ii	iii	Iv	
SAI-22	Human Resource Management	2	2	4	3	3
SAI-23	Professional Development and Training	4	4	4	4	4

##### 4.5.1 SAI-22 Human Resource Management

This indicator assesses elements of OAGN's human resource management. According to ISSAI 40, the OAGN's human resource policies and procedures should include recruitment, professional development, performance evaluation, and promotion.

The indicator is separated into four dimensions:

- i. Human Resources Function
- ii. Human Resources Strategy
- iii. Human Resources Recruitment
- iv. Remuneration, Promotion and Staff Welfare

#### Dimension (i) Human Resources Function

OAGN assigns the human resource management function's responsibility to the Deputy Auditor General and Assistant Auditor General of the Management Division. They are responsible for keeping records of an individual employee's job history, experience, skills, and professional background. Although the Department of Civil Personnel Records (DOCPR) maintains personnel files of all government employees, OAGN also separately maintains employee personnel files, consisting of the Code of Ethics and educational and professional development achievement.

Moreover, OAGN has also maintained a performance evaluation appraisal system, in which officer-level staff is evaluated twice a year.

In addition to development opportunities provided by the Government of Nepal (GoN), OAGN also conducts regular professional development programs as per the approved budget and need of Continuous Professional Education, which is mandatory for every auditor.

However, OAGN does not have a Human Resource Strategy. The Ministry of Federal Affairs and General Administration (MoFALD) prepare overall civil servants' strategy and policies with the consultation of the Public Service Commission (PSC) and the Government. Therefore, there is no competency framework nor HR consultation services provided by OAGN.

#### Dimension (ii) Human Resources Strategy

As mentioned earlier, OAGN does not have a Human Resources Strategy, but it relies on the overall civil servants' strategy. Therefore, there are no systemized human resources that are formulated to audit staff. Besides, employee recruitment, retention, remuneration, performance appraisal, and professional development policies are based on the Civil Service Act, 1992 (2049 BS) section 24A.

However, the Strategic Imperative 3 of the current OAGN's strategic plan mentions Develop and Implement HRD Strategy and Redesign Organizational Strategy to address federal structure and extended audit mandate of OAGN. Therefore, the number and type of staff are reviewed. Also, OAGN maintains the records of employee turnover and vacancies and requests PSC through MoFALD to fulfill such vacancies yearly. In addition, individual entities maintain illness records as per the provision of the Civil Service Act and regulations.

#### Dimension (iii) Human Resources Recruitment

Even though OAGN cannot recruit staff by itself but depends on the PSC, the recruitment process is defined as the minimum qualification for entry-level in a written form in the PSC procedures for the selection process, such as advertisement, written exam, merit-based selection system as per the Civil Service Act. Moreover, the recruitment process, exam schedule, or selection process is clearly defined and made public by PSC annually with its work schedule.

The organizational and management survey is conducted to examine organizational needs, existing organizational structure, and positions by considering vacancies, existing competencies, and staff turnover rates. According to Civil Service Act, 1993, the Committee will conduct this survey, represented by the Ministry of Finance and the Ministry of Federal Affairs & General Administration.

To promote diversity in the Government as prescribed in the Preamble of the Constitution, GoN and PSC allocating certain positions or seats for diverse people based on representation and right basis. Consequently, OAGN promotes diversity by nominating women, Adiwasi/Janjati, Madhesi, Dalit, Disables & Backward Area staff for training activities.

Lastly, OAGN is hiring experts for Local Level Audit, Performance Audit, and Specialized Audit. In addition to the Citizen Participatory Audit, Environment Audit has been carried out with the help of external experts as per the needs of performance audit manuals.

#### Dimension (iv) Remuneration, Promotion, and Staff Welfare

The remuneration, promotion, and staff welfare practices are based on Civil Service Act 1992. Individual performance appraisals for officer level are carried out twice a year and once a year for non-officer. The performance appraisal aims to assess the employee's performance against the previous year's job description or performance agreement.

The promotions are based on senior-based, performance evaluation-based, and merit-based as per the Civil Service Act. The Act has provided 40 marks for performance appraisal (25 by the immediate supervisor, 10 Reviewer & 5 Review Committee). During the last two promotion decisions, the Promotions awarded followed the established procedures, which were transparent and as scheduled.

Similarly, different welfare plans and policies have been carried out as per Civil Service Act. Therefore, although OAGN does not have its welfare policy, it has executed welfare activities to the staff as a part of the Government Agency.

OAGN's staff have opportunities to express their views on the work environment to management as continuous and live discussions are carried out throughout the year. In addition, staff meetings are conducted periodically. As a result, relevant and necessary action has been taken and acted upon issues raised regularly.

However, the AG cannot award his staff but can recommend GoN for Performance-Based Incentive System, Civil Service Prize for the staff, etc.

**The assessment team would like to highlight the following issue relating to this indicator.**

**Assessed responses for these issues are also provided.**

16. Responsibility for maintaining and developing its HR strategy and competency framework, recruitment, retention, remuneration, performance appraisal, and professional development policies, and providing consultation regarding HR is managed by the GoN.

**Clarification from OAGN to issue No. 16**

HR Strategy and function follow the general laws applicable to all government employees, i.e., Civil Service Law. In addition, there is a provision under section 26 of Audit Law whereby AG can provide the award best performer in his office following the established selection and appraisal procedure.

## 4.5.1.1 Assessment Scores by Dimension

Dimension	Score
(i) Human Resources Function	2
(ii) Human Resources Strategy	2
(iii) Human Resources Recruitment	4
(iv) Remuneration, Promotion and Staff Welfare	3
<b>Overall Score</b>	<b>3</b>

## 4.5.1.2 Assessment Findings

SAI-22 Human Resource Management		
Dimensions	Findings	Score
(i) Human Resources Function	<p><b>Criteria a, e, f, and g are met.</b></p> <ul style="list-style-type: none"> <li>The Deputy Auditor General and Assistant Auditor General of the Management Division are responsible for supervising HR functions.</li> <li>OAGN is Maintaining a performance evaluation appraisal system.</li> <li>OAGN conducts regular professional development programs.</li> <li>OAGN maintains employee's personnel files</li> </ul> <p><b>Criteria b, c, and d are not met.</b></p> <ul style="list-style-type: none"> <li>OAGN is not responsible for maintaining and developing its HR strategy, neither a competency framework, recruitment, retention, remuneration, performance appraisal, and professional development policies, nor providing consultation regarding HR.</li> </ul>	2

(ii) Human Resource Strategy	<p><b>Criteria c and g are met.</b></p> <ul style="list-style-type: none"> <li>• OAGN considers the number and type of staff required for the strategic planning period.</li> <li>• OAGN maintains the records of employee turnover and vacancies.</li> </ul> <p><b>Criteria a, b, e, f, and g are not met.</b></p> <ul style="list-style-type: none"> <li>• Since OAGN does not have the human resource strategy, related criteria are not met, including monitoring, communication, and plan reviews.</li> </ul>	2
(iii) Human Resources Recruitment	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• There is define the minimum qualification for entry-level and written procedures in place for recruitment which has mentioned in PSC procedures</li> <li>• The recruitment process, exam schedule, or selection process is clearly defined and made public.</li> <li>• OAGN promotes diversity by nominating women, Adiwasi/Janjati, Madhesi, Dalit, Disables &amp; Backward Area staff for training activities.</li> <li>• Multiple authorities and institutions are engaging in the recruiting process.</li> <li>• O &amp; M surveys are conducted as per the analysis of organizational need basis.</li> <li>• A clear-cut description of the skills and experiences and qualifications is mentioned in the PSC advertisement.</li> <li>• OAG is hiring experts for Local Level Audit, Performance Audit, and Specialized Audit.</li> </ul>	4
(iv) Remuneration, Promotion, and Staff Welfare	<p><b>Criteria a, b, d, e, f, g, and h are met.</b></p>	3



	<ul style="list-style-type: none"> <li>• Performance appraisal assessed the employee's performance against the job description or performance agreement made the previous year.</li> <li>• Individual performance appraisals for officer level are carried out twice a year and non-officer for once a year.</li> <li>• The promotions are based on senior-based, performance evaluation-based, and merit-based.</li> <li>• Promotions awarded during the past year, or the last two promotion decisions, followed established procedures as per Civil Service Act Regulation and PSC procedures</li> <li>• Different welfare plans and policies have been carried out as per Civil Service Act.</li> <li>• Continuous and live discussions are carried out throughout the year. In addition, staff meetings are conducted periodically, and every employee has the opportunity to express their views.</li> <li>• Relevant and necessary action has been taken and acted upon issues raised.</li> </ul> <p><b>Criteria c is not met because AG cannot award his staff by himself.</b></p>	
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#### 4.6.2 SAI-23 Professional Development and Training

As per ISSAI 40, OAGN should strive for service excellence and quality. As a part of its quality management, OAGN should establish policies and procedures designed to provide it with reasonable assurance that it has sufficient resources (personnel) with the competence, capabilities, and commitment to ethical principles necessary to:

- i. carry out its work following relevant standards and applicable legal and regulatory requirements;

- ii. enable the SAI to issue reports that are appropriate in the circumstances” (ISSAI 40, element 4).

ISSAI 12 states that SAIs should promote continuing professional development that contributes to the individual, team, and organizational excellence. This indicator assesses how OAGN can encourage and ensure professional development to improve and maintain its staff's competency.

The indicator is separated into four dimensions:

- i.Plans and Processes for Professional Development and Training
- ii.Financial Audit Professional Development and Training
- iii.Performance Audit Professional Development and Training
- iv.Compliance Audit Professional Development and Training

Dimension (i) Plan and Processes for Professional Development and Training

OAGN has developed and implemented a plan for professional development and training. KPMG develops an HRD plan in 2005 and is still being implemented. The plan contains all the requirements, including introduction and familiarization for new staff, internal training regarding policies, procedures, processes, personal skills training, and management.

Although the plan is not aligned with PSC's HR strategy, it is linked to the OAGN's strategic plan and operational plan. The Strategic Plan (2016-2020)- Annex 2: Implementation Strategy and Operational Plan (2016-2020) Annex-2: Operational Plan Implementation matrix (Strategic Imperative wise) has provided responsibilities to the office of Policy Planning and Human Resource Development (P P & HRD) for conducting training

To participate in training, OAGN has established procedures for selecting staff. Generally, selection criteria for training or workshops are mentioned in training or workshops request letters or brochures. Then, participants are chosen on the predetermined selection criteria. For general types of training or workshops, participants are selected among the General Directorate. For specific types of training or workshops, participants are chosen from the respective General Directorate.

OAGN has a policy of providing training opportunities for all staff, so past involvements are also considered. The selection focuses on participants who have not got opportunities in past training activities.

P P & HRD is responsible for maintaining and updating staff training records and requesting all staff to recommend specific training requirements or choose the name of training from the approved training lists. Furthermore, in case of the particular training requested by staff, P P & HRD will conduct special types of training for those interested staff. For instance, the staff is nominated and encouraged to acquire Chartered Accountant, CISA, and ACCA.

In addition to audit-related training, there is also professional development for non-audit staff. Various specific training is designed and delivered as per requirement, for example, procurement, revenue, project audit, QA, and management. There are regular evaluations after completing every training and workshop to assess the result of professional development and training.

Lastly, as Nepal's Government has implemented Civil Service Act and Civil Service Regulation, all the civil servants should be compulsorily participated and passed the Inservice training to get promoted. There is a maximum of 2 % mark (First division 2 mark, Second division 1.75 mark, and Third division 1.5 mark). The minimum training period should be one month. OAGN is not conducting In-service training for its staff. The respective government training institutions (Nepal Administrative Staff College, NASC, or Public Financial Management Training Centre, PFMTC) are responsible for conducting the Inservice training. Selection criteria are mentioned in the request letter of that institute. P P & HRD nominate suitable candidates based on seniority considering the selection criteria.

#### Dimension (ii) Financial Audit Professional Development and Training

The office of P P and HRD is responsible for organizing professional development activities on the financial audit.

According to the HRD plan 2005, several courses are specifically tailored for financial auditors, including, but not limited to, Nepal and international standards for auditing, accounting courses, project financial statements, and government expenditure. Interestingly, the HRD plan also contains specific auditing Ministries, Constitutional bodies, and other government bodies.

There is a clear requirement for participating in each course, for example, staff grades and prerequisite skills.

However, the International Standard of Supreme Audit Institution (ISSAIs) is not mentioned in the plan.

#### Dimension (iii) Performance Audit Professional Development and Training

Like the Financial Audit Professional Development and Training Dimension, performance audit training is also based on the HRD plan 2005. The main responsible person is the P P and HRD office. In addition, the plan also contains a separate performance audit as well as environmental audit courses.

#### Dimension (iv) Compliance Audit Professional Development and Training

Like financial and performance audits, Policy, Planning, HRD & IR Directorates is the main person responsible for providing professional development and training to compliance auditors. In addition, resource persons are assigned, based on their experience and expertise in the given subject, either in-house or outsourced or a mix of both sources for the training as required to the training course. Generally, there are many training courses on compliance-related topics, including but not limited to public procurement, administrative management, budget management, contract management, and revenue (direct tax and indirect tax) management.

Although the competency framework for compliance auditors has not been prepared as per HRM Guide for different staff grades in compliance auditing, staff knowledge, skills, and behavioral aspects are always considered while assigning the job. In addition, as per the Financial Audit Manual, 2016, there is a provision to record a competency matrix related to academic qualification and years of experience of an audit supervisor, audit team leader, and audit team members as to the competency matrix PE-4.

Furthermore, as far as training needs are concerned, staff can propose their needs and priorities to the responsible person. Sometimes, supervisors, audit team leaders, and members express their required training. An annual plan for professional development is developed in alignment with the OAGN's strategic plan to close the gaps in human resources requirements.

In addition to conducting in-house training, OAGN staff are encouraged to participate in various training programs organized by the Government of Nepal, accredited training institutes of Nepal, development partners, ASOSAI and INTOSAI. For example, each year, staff participate in a short-term professional course organized by the Institute of Chartered Accountants of Nepal

(ICAN), the Association of Chartered Certified Accountants (ACCA), etc. Likewise, OAGN arranges long-term professional courses such as CA, ACCA, etc., for its employees as per the annual plan. Currently, eight employees are pursuing ACCA study, and two CA are with the office after completing the CA course arranged by the office.

Lastly, the plan for professional development and training in compliance auditing covers all the elements required by the criteria.

a. The CA training is relevant to the standard. As the compliance audit is conducted in a combination of the financial audit, training related to audit planning, execution, gathering, and evaluation shreds of evidence, documentation, reporting is based on the FA standards.

b. Although the dedicated schemes for learning on the job and supervising/mentoring are not implemented, there is general practice to regularly provide learning opportunities to the new entrants or novice in the particular area of audits with the experienced team leader and other team members

c. OAGN's staff are nominated for the professional training programs, if any, invited by ICAN, ACCA, and other professional organizations. Some are studying long-term CA and ACCA professional courses. OAG, N employees who are CA and registered auditors enlisted in ICAN are also members of the professional body in their capacity.

d. Continuing professional development CPD as CPE (Continuous Professional Education) is conducted each year to all the staff. ICAN accredits this training program for membership renewal.

#### 4.5.2.1 Assessment Scores by Dimension

<b>Dimension</b>	<b>Score</b>
(i) Plans and Processes for Professional Development and Training	4
(ii) Financial Audit Professional Development and Training	4
(iii) Performance Audit Professional Development and Training	4
(iv) Compliance Audit Professional Development and Training	4
<b>Overall Score</b>	<b>4</b>

## 4.5.1.2 Assessment Findings

<b>SAI-23 Professional Development and Training</b>		
<b>Dimensions</b>	<b>Findings</b>	<b>Score</b>
(i) Plans and Processes for Professional Development and Training	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• An HRD plan developed in 2005 is still effective.</li> <li>• The plan is not aligned with the HR strategy. However, it is linked to the SP and OP.</li> <li>• OAGN has established procedures for selecting staff to participate in training and obtain professional qualifications.</li> <li>• All the Civil servants should be compulsorily participated and passed out Inservice training.</li> <li>• Staff is nominated and encouraged to strive in Chartered Accountant, CISA, ACCA study courses.</li> <li>• P P and HRD office is also responsible for providing training to non-audit staffs</li> <li>• Feedback received after training.</li> </ul>	4
(ii) Financial Audit Professional Development and Training	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• P P and HRD office are responsible for organizing professional development activities on the financial audit.</li> <li>• The training calendar is prepared as per requirement.</li> <li>• HRD plan consists of several FA courses with a clear requirement for each course.</li> <li>• These components are included in the HRD plan.</li> <li>• However, ISSAIs are not mentioned in the plan.</li> </ul>	4
(iii) Performance Audit Professional	<p><b>All criteria are met.</b></p>	4

Development and Training	Similar to Financial Audit Professional Development and Training Dimension.	
(iv) Compliance Audit Professional Development and Training	<ul style="list-style-type: none"> <li>• P P and HRD office are responsible for organizing professional development activities on the financial audit.</li> <li>• Staff's knowledge, skills, and behavioral aspects are always considered while assigning the job.</li> <li>• Staff can propose their needs and priorities for training to the responsible person.</li> <li>• OAGN staff are encouraged to participate in various training programs organized by the Government of Nepal, accredited training institutes of Nepal, development partners, ASOSAI and INTOSAI</li> <li>• The CA training covers all the important components.</li> </ul>	4

#### 4.6 DOMAIN F: Communication and Stakeholder Management

Domain F: Communication and Stakeholder Management		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-24	Communications with the Legislature, Executive, and Judiciary	2	4	4	3	3
SAI-25	Communications with the Media, Citizens and Civil Society Organizations	4	3			3

#### 4.6.1 SAI-24 Communications with the Legislature, Executive, and Judiciary

SAI-24 assesses communication practices OAGN has established with institutional stakeholders. SAIs need to communicate effectively with these stakeholders (ISSAI 12:6). Regardless of the organizational structure, OAGN will, through its works, come in contact with these institutions to a greater or lesser degree. OAGN should take the initiative to communicate its mandate and activities in a way that does not compromise its independence. Good practice can facilitate communication while helping to minimize any risks. Effective communications will allow these stakeholders to see OAGN's reports as relevant to their work and enable the organization to be more responsive to emerging threats and changing contexts.

The indicator is separated into four dimensions:

- i. Communications Strategy
- ii. Good Practice Regarding Communication with the Legislature
- iii. Good Practice Regarding Communication with the Executive
- iv. Good Practice Regarding Communication with the Judiciary, and/ or Prosecuting and Investigating Agencies

##### Dimension (i) Communications Strategy

OAGN has established a specific plan for communicating and promoting the value and benefit of SAI. This strategy focuses on internal relations as well as the link with national and international stakeholders. Furthermore, OAGN also has various documents for guiding the communication strategy between its stakeholders, i.e., Auditor General's 6th-year action plan, stakeholder's engagement strategy, annual audit plan, ministry-level audit plan, etc.

Key stakeholders are identified in the plan to achieve its organizational objectives, including Federal and provincial parliament, local levels, federal and provincial Public Accounts Committees(PAC), the government of Nepal and its agencies, civil society organizations (CSOs), development partners, oversight agencies, media, and related international organizations. Additionally, the Organizations Relation and Communication Directorate and a dedicated spokesperson and information officer are responsible for communicating with those stakeholders.



However, since the communication strategy was approved after implementing the strategic plan, there is no close link between them. Moreover, OAGN does not have a mechanism for monitoring the communication plan's implementation or assessing its effectiveness.

#### Dimension (ii) Good Practice Regarding Communication with the Legislature

OAGN reports its findings to the Parliament annually. As per the Constitution of Nepal and the Audit Act, the Auditor General has to submit the president's annual audit report to the parliament. Similarly, AG also submits the annual audit reports to provincial and local levels of Parliament.

As per the Audit Act, the annual audit reports must contain essential elements, including major audit findings, financial management trends, implementation status of previous audit reports, and a way forwards for future improvement. OAGN regularly discusses these findings with related stakeholders. For example, as presented in the AG's 6th-year plan, OAGN has the policy to conduct pre-discussion with the Public Accounts Committee (PAC) about major issues of audit reports.

OAGN regularly emphasizes its role and mandate to the Legislature as a separate Directorate has been formed to communicate with PAC effectively.

As per the Constitution article 293, the Auditor General is responsible to the federal parliament. Therefore, the parliamentary committee may monitor and evaluate the annual report of constitutional bodies so that OAGN regularly provides information to them.

OAGN has a legal provision to approve the accounting and reporting forms so that it occasionally provides expert opinions to the government and legislature as per their request.

Lastly, feedback is usually provided by PAC, Media, and Development Partners through media and discussion programs.

#### Dimension (iii) Good Practice Regarding Communication with the Executive

As per the Code of Ethics, the OAGN's staff must not be involved in managing the audited entities in any manner.

Pre-audit meetings, post-audit meetings, and issues-based discussions are regularly conducted at different levels of executives. For example, OAGN conducts regular discussion and interaction with various agencies to inform about what to expect during an audit. Moreover, the

annual audit plan and audit schedule are circulated and disseminated to the federal, provincial, and local government authorities. OAGN also conducts interactions with different stakeholders to find gaps and necessary improvements in overall audit quality.

Dimension (iv) Good Practice Regarding Communication with the Judiciary, and/or Prosecuting and Investigating Agencies

As per the request of the Judiciary, prosecuting, and investigating agencies, OAGN has the practice to provide necessary documents and audit findings. Furthermore, top-level management of OAGN, including the Auditor General, is engaged with the judiciary leader, prosecuting and investigating agencies to clarify the roles, mandates, and works of OAGN. However, there are some conflicts with the investigation agencies regarding the roles, mandates, and works. For example, according to the Audit Act 2019, the audit conducted by auditors can be further investigated only by the AG. Still, some agencies directly investigate the auditors without consent from the AG.

Based on audit findings, the investigating agencies and PAC will take over the minimum cases for further investigation. However, OAGN does not have a monitoring system for the transferred cases.

Lastly, OAGN has different laws, policies, and sectoral directives to guide the audit and its findings, classification of irregularity, evidence collection, documentation, etc.

**The assessment team would like to highlight the following issues relating to this indicator.**

**Assessed responses for these issues are also provided.**

17. The communications strategy is not linked with the strategic plan and is not monitored.
18. There is no assessment of how stakeholders think about its communication.
19. There is no practice for cases transferred and its follow-up system.

**Clarification from OAGN to issue No. 17**

There may be an issue of the degree of alignment of communication strategy with the strategic plan. We have tried to establish linkages between communication strategy and strategic and operational plans. Strategic Objective 4.1 Ensure regular and effective

communication using ICT and 4.2 Improve interaction with the media and public are few examples of linkages between these two strategies.

#### 4.6.1.1 Assessment Scores by Dimension

Dimension	Score
(i) Communications Strategy	2
(ii) Good Practice Regarding Communication with the Legislature	4
(iii) Good Practice Regarding Communication with the Executive	4
(iv) Good Practice Regarding Communication with the Judiciary, and/ or Prosecuting and Investigating Agencies	3
<b>Overall Score</b>	<b>3</b>

#### 4.6.1.2 Assessment Findings

SAI-24 Communications with the Legislature, Executive, and Judiciary		
Dimensions	Findings	Score
(i) Communications Strategy	<p><b>Criteria a, b, c, and d are met.</b></p> <ul style="list-style-type: none"> <li>- OAGN has established a Communication Strategy for communicating and promoting its value and benefit.</li> <li>- The plan contains clear identified key stakeholders as well as key messages and approaches for communicating.</li> </ul> <p><b>Criteria e, f, and g are not met.</b></p> <ul style="list-style-type: none"> <li>- The plan is not linked to the SP.</li> </ul>	2

	<ul style="list-style-type: none"> <li>- OAGN does not have a mechanism for monitoring the plan and assessing its effectiveness.</li> </ul>	
(ii) Good Practice Regarding Communication with the Legislature	<p><b>All Criteria are met.</b></p> <ul style="list-style-type: none"> <li>- AG regularly submits an annual audit report to the parliament.</li> <li>- The structure of an annual audit report consists of significant audit findings, trends in financial management, implementation status of the previous audit report, and way forwards for future improvement.</li> <li>- OAGN has the policy to conduct pre-discussion with PAC members regarding major issues of audit reports.</li> <li>- OAGN regularly emphasizes its role and mandate to the Legislature.</li> <li>- A responsible Directorate has been established to communicate with PAC.</li> <li>- OAGN regularly provides information to the Legislature.</li> <li>- OAGN provides expert opinions to the government and legislature as per their request.</li> </ul> <p>PAC, Media, Development Partners usually provide-Feedback through media and discussion programs.</p>	4
(iii) Good Practice Regarding Communication with the Executive	<p><b>All Criteria are met.</b></p>	4

	<ul style="list-style-type: none"> <li>- As per the Code of Ethics, OAGN's staff must not be involved in managing the audited entities.</li> <li>- OAGN always provides generic information to auditees on what to expect during an audit in a pre-audit meeting.</li> <li>- OAGN regularly discusses issues concerns of both parties with the Executives.</li> <li>- Meeting, discussion, and interactions program are periodically conducted to seek feedback.</li> </ul>	
<p>(iv) Good Practice Regarding Communication with the Judiciary, and/ or Prosecuting and Investigating Agencies</p>	<p><b>Criteria a, b, c, and e are met.</b></p> <p>As per the Judiciary request, prosecuting and investigating agencies, OAGN has the practice to provide necessary documents and audit findings.</p> <p>Auditor General is engaged with the judiciary leader, prosecuting and investigating agencies to clarify roles, mandates, and works.</p> <ul style="list-style-type: none"> <li>- The investigations agency and public accounts committee will take over the minimum cases for further investigation.</li> <li>- OAGN has policies and procedures for appropriate audit documentation.</li> </ul> <p><b>Criteria d is not met because OAGN does not have practices for transferred cases and a follow-up system.</b></p>	3

#### 4.6.2 SAI-25 Communications with the Media, Citizens and Civil Society Organizations

An SAI must be perceived as a credible source of independent and objective insight and guidance to support beneficial change in the public sector (ISSAI 12:7). This indicator assesses

the practices of OAGN in reaching out to society and informing the public about its role, work, and results, and contributing to enhancing accountability in the public sector.

The indicator is separated into two dimensions:

- i. Good Practice Regarding Communication with the Media
- ii. Good Practice Regarding Communication with Citizens and Civil Society Organizations

Dimension (i) Good Practice Regarding Communication with the Media

OAGN organizes a regular press conference to launch its annual and other major audit reports. As per the Audit Act, the annual report should be publicized immediately after submission to the President. After submitting the annual report, OAGN also issues regular press releases regarding major audit reports, including performance audits and significant activities.

OAGN has a system to monitor newspaper and electronic media and major news television regarding the coverage of audit findings. Additionally, there is a designated spokesperson to speak with the media on behalf of the OAGN.

Lastly, as per the provision of the Right to Information Act-section 6, OAGN has a dedicated information officer to provide the requested information from media, civil society, or Nepalese citizens.

Dimension (ii) Good Practice Regarding Communication with Citizens and Civil Society Organizations

Constitutional and legal mandates of OAGN are always public and open from different publications for the citizens and civil society organizations. In addition to the annual report, OAGN also publishes a summary report called executive summary every year to make it easy for citizens to understand the main audit findings.

Civil society organizations have been engaged in the performance audit process and advocacy of audit findings as per the OAGN stakeholder's engagement strategy and citizen participatory audit manual. The manual describes policy, provision, and practice to involve citizens in the OAGN's audit process without compromising independence. However, citizens and civil society organizations have limited access to information on public sector audit.

OAGN has an updated website and publishes monthly newspapers and other publications shared with stakeholders through email. Moreover, OAGN also issues a regular public notice from the newspaper and its website for the citizen and civil society organizations to provide related information about the public audit.

OAG Nepal has a two-way communication system including, but not limited to, public notice, digital complaint mechanism, complaint box, interaction program, etc., for seeking feedback.

Lastly, Audit reports, findings and recommendations, and interaction with different stakeholders will improve the public sector. OAGN's products are distributed to all stakeholders through the website as well as the printed copy. There was extensive coverage in the media when the AG submitted his report to the President of Nepal. There are many interaction programs on OAGN's product by media, civil society organizations, and parliamentarians. In addition, OAGN conducts various improvement programs on its products throughout the country.

**The assessment team would like to highlight the following issue relating to this indicator. Assessed responses for these issues are also provided.**

20. There is no citizen stimulation to access information on public sector audit beyond audit reports.

#### 4.6.2.1 Assessment Scores by Dimension

Dimension	Score
(i) Good Practice Regarding Communication with the Media	4
(ii) Good Practice Regarding Communication with Citizens and Civil Society Organizations	3
<b>Overall Score</b>	<b>3</b>

## 4.6.1.2 Assessment Findings

<b>SAI-25 Communications with the Media, Citizens, and Civil Society Organizations</b>		
<b>Dimensions</b>	<b>Findings</b>	<b>Score</b>
(i) Good Practice Regarding Communication with the Media	<p><b>All Criteria are met.</b></p> <ul style="list-style-type: none"> <li>- OAGN regularly organizes press conferences and issues press releases to disseminate the audit reports effectively.</li> <li>- A spokesperson is assigned.</li> <li>- OAGN has a dedicated information officer to provide the requested information from media, civil society, or Nepalese citizens.</li> <li>- There is a system for monitoring media coverage.</li> </ul>	4
(ii) Good Practice Regarding Communication with Citizens and Civil Society Organizations	<p><b>Criteria a, b, c, e, f, g, and h are met</b></p> <ul style="list-style-type: none"> <li>- OAGN made public its mandates.</li> <li>- OAGN also publishes a summary report called executive summary every year.</li> <li>- Civil society organizations have been engaged in the performance audit process and advocacy of audit findings.</li> <li>- OAGN issued a regular public notice from the newspaper and its website for citizens and civil society organizations.</li> <li>- Website, newspaper, as well as other publications are updated and published monthly.</li> <li>- OAGN's products are distributed to all stakeholders. In addition, OAGN conducts</li> </ul>	3



	<p>various improvement programs on its products throughout the country.</p> <p>- OAG Nepal has a two-way communication system.</p> <p><b>Criteria d is not met because OAGN does not stimulate citizens to access public sector audits beyond audit reports.</b></p>	
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## Chapter 5 SAI Capacity Development Process

Moscow Declaration points out the fundamental changes that SAIs are encountering. The changes in public auditing and public policy worldwide have created a new environment and new expectations for SAIs. Modern circumstances call for a quality of audit work, new audit approaches and require SAIs further to rethink their role in the governmental accountability processes. For example, Sustainable Development Goals (SDGs), data revolutions, INTOSAI Framework of Professional Pronouncements (IFPP), and INTOSAI-P 12 are the current emerging issues to SAIs, especially for the latter one. The INTOSAI-P 12 illustrates the ultimate goal for Supreme Audit Institutions to make a difference in citizens' lives. Therefore, to achieve these goals, SAIs need to prepare their capacity in every aspect to add the most value and benefits to their works.

OAGN realized the importance of the fundamental changes and responded by emphasizing its capacity development in the strategic plan 2016-2020. Strategic imperative three primarily focuses on developing organization capacity consisting of two objectives, including 1) to develop and implement a human resources development strategy and 2) redesigning OAGN's organizational strategy to address federal structure and extended audit mandate.

### 1. Develop and implement a human resource development strategy

There are two strategic initiatives, including 1) preparing and implementing the HRD strategy and 2) reviewing the existing staff rotation policy. The HRD strategy covering all key components of HRD must be developed and implemented to measure the achievement. Also, the rotation policy must be revised.

To promote auditors of the future and prepare staff for the challenges, OAGN encourages its staff to participate in external and internal capacity development programs actively. Generally, OAGN provides its staff with regular in-land training programs for both audit and non-audit-related courses. Additionally, there are also international training and workshops organized by INTOSAI, ASOSAI, IDI, and other SAIs. For example, in the past few years, OAGN's staff participated in SAI Fighting Corruption, ISSAI 30

Implementation Assessment, ASOSAI Research Project, and other international programs hosted by SAI India, China, Pakistan, and Indonesia.

2. Redesign the organizational strategy to address federal structure and extended audit mandate.

This objective consists of five initiatives, including 1) conducting the organization and management study in line with federal structure and extended audit mandate, 2) preparing and implementing policy for auditing and reporting, 3) initiating audit reporting, 4) strengthening ICT infrastructure and its application, and 5) constructing office buildings and restructuring audit office as per federal structure. Audit coverage and reporting provision are the key indicators for this goal.

As a result, OAGN submits the Annual Report to the President of Nepal. Besides, Annual Reports relating to each province are submitted. In addition, audit Reports to 753 Local audit report is issued to the heads of Local Government.

### **Supports and Cooperation**

Additionally, OAGN also received support and cooperation for improving its capacity from both domestic and international organizations. For example, as part of the current Integrated Public Financial Management Reform Project (IPFMRP) financed by Multi-donor Trust Fund and administered by the World Bank, OAGN has initiated reform agenda, particularly on audit quality improvement IT, and enhance engagement of stakeholders. Moreover, Department for International Development (DFID) has provided technical support to conduct IT audits for the last three years. Lastly, OAGN signed a Bilateral Cooperation MoU with SAI Pakistan and SAI Thailand and technical cooperation with SAI Norway.

<b>Annex 1 : Performance Indicator Summary</b>						
<b>Indicator</b>	<b>Indicator Name</b>	<b>(i)</b>	<b>(ii)</b>	<b>(iii)</b>	<b>(iv)</b>	<b>Overall Score</b>
<b>Domain A</b>	<b>SAI Independence and Legal Framework</b>					
SAI-1	Independence of the SAI	3	2	3	3	3
SAI-2	Mandate of the SAI	4	3	4		4
<b>Domain B</b>	<b>Internal Governance and Ethics</b>					
SAI-3	Strategic Planning Cycle	4	3	4	3	3
SAI-4	Organisational Control Environment	4	3	4	4	4
SAI-5	Outsourced Audits	4	4	3		4
SAI-6	Leadership and Internal Communication	3	4			3
SAI-7	Overall Audit Planning	4	4			4
<b>Domain C</b>	<b>Audit Quality and Reporting</b>					
SAI-8	Audit Coverage	4	3	4		4
SAI-9	Financial Audit Standards and Quality Management	4	3	3		3
SAI-10	Financial Audit Process	2	3	3		3
SAI-11	Financial Audit Results	4	4	2		3
SAI-12	Performance Audit Standards and Quality Management	4	3	2		3
SAI-13	Performance Audit Process	3	3	3		3
SAI-14	Performance Audit Results	4	4	2		3
SAI-15	Compliance Audit Standards and Quality Management	4	1	3		3
SAI-16	Compliance Audit Process	3	3	3		3
SAI-17	Compliance Audit Results	3	4	2		3
SAI-18	Jurisdictional Control Standards and Quality Management	NA				
SAI-19	Jurisdictional Control Process	NA				
SAI-20	Results of Jurisdictional Controls	NA				

<b>Domain D</b>	<b>Financial Management, Assets, and Support Services</b>					
SAI-21	Financial Management, Assets, and Support Services	3	4	4		4
<b>Domain E</b>	<b>Human Resources and Training</b>					
SAI-22	Human Resource Management	2	2	4	3	3
SAI-23	Professional Development and Training	4	4	4	4	4
<b>Domain F</b>	<b>Communication and Stakeholder Management</b>					
SAI-24	Communication with the Legislature, Executive and Judiciary	2	4	4	3	3
SAI-25	Communication with the Media, the Citizens and Civil Society Organisations	4	3			3

The ratings given above can be interpreted as follows:

0 = Activity not established or does not function.

1 = Founding level – provides a basis for the executive agents to be held to account.

2 = Development level – provides a basis for accountability for the use of public resources.

3 = Established level – provides the basis for accountability of government performance.

4 = Managed level – the SAI is an enabler of improved government performance.

## **Annex 2 : Sources and Information and Evidence to Support Indicator Scoring**

### **Documents Reviewed**

1. OAGN Strategic Plan 2016-2020
2. Human Resources Development plan vol. 1 – 3
3. Operational plan 2016 – 2020
4. Public Procurement Act 2063
5. Public Procurement regulations 2064
6. Quality Assurance Handbook
7. OAGN Audit Universe
8. Performance Audit Guide
9. Financial Audit Manual
10. Guidelines for the Audit of Public Enterprises
11. Annual Audit plan 2019
12. Executive summary 2020
13. IT Strategic plan 2016 – 2020
14. Internal Audit Report 2075 – 2076 (2018 - 2019)
15. Internal Control Guideline
16. Draft Compliance Report Manual

### **Audit files Reviewed**

#### **Financial Audit**

1. Ministry of Water Supply
2. Public Service Commission
3. Ministry of Social Development, Bagmati Province
4. Tikapur Municipality
5. Dharan Sub-Metropolitan City
6. Nepal Airlines Corporation

#### **Performance Audit**

1. SAI Fighting Corruption
2. Bagmati River Basin Improvement Project- Beautification Program

#### **Compliance Audit**

1. Road Board, Nepal
2. Paropkar Maternity & Women's Hospital

### **List of Interviewees**

1. Mr. Maheshwor Kafle
2. Mr. Ashok Kumar Karki
3. Mr. Baikuntha Bahadur Adhikari
4. Mr. Ghanashyam Parajuli
5. Mr. Narayan MC
6. Mr. Narayan Prasad Parajuli
7. Mr. Ramesh Raj Subedi
8. Mr. Mahesh Poudel

9. Mr. Mahesh Poudel
10. Mr. Netra Prasad Poudel
11. Mr. Upendra Keshar Khanal
12. Mr. Kishor Pandey
13. Mr. Santhosh Sharma Sapkota