



Administrative Expenses Audit Directives



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

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Foreword

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

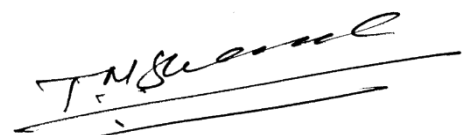
This directives provides a clear picture of methods and approaches to audit that the audit staff is required to comply with in imparting their duties. It has been built around the prevailing Audit Act, Nepal Government Auditing Standards (NGASs), and office policies that require conducting a high-quality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

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

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

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

April 26, 2023


Tankamani Sharma, Dangal
Auditor General

List of Abbreviations

Abbreviation	Full form
GFS	Government Financial Statistics
GoN	Government of Nepal
HR	Human Resource
INTOSAI	International Organisation of Supreme Audit Institution
ISSAI	International Standards for Supreme Audit Institution
IT	Income Tax
NNRFC	National Natural Resource and Finance Commission
OAGN	Office of Auditor General of Nepal
PARF	Public Audit Restructuring Framework
VAT	Value Added Tax
VIP	Very Important Person
WHT	Withholding Taxes

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Part - I

Introduction

1. Background

1.1. Concept

Audit is required to be conducted by developing an audit plan, executing the plan and reporting the findings including following up on the findings. Planning of the audit helps to direct the auditors for audit execution and it also supports review and supervision of the audit. Developing specific sectoral guides helps auditors to apply customised audit procedures to such specific audit areas.

Significant portion of the audit of governments involves audit of administrative expenses. The events and transactions relating to administrative expenditures of the governments are to be considered separately for applying audit procedures due to their unique and specific nature. This guide helps develop audit plan, in the form of audit programme / checklist as response to the risks associated with administrative expenses.

1.2. Objectives of this audit guide

The main objectives of this Guide are to assist the auditor:

- By identifying specific areas as administrative expenses in context of audit of general governments in Nepal;
- By creating a basis for the audit of the administrative expenses;
- By providing guidance in conducting audit of and in evaluating the incurrence of the administrative expenses.
- By guiding the auditor to examine the expenses appropriated under the budgetary legislation to ensure that they have been incurred for the stated objectives under the set plan of the spending unit and with appropriate authority consistent with the prevalent laws.

1.3. Coverage

The guide generally covers the administrative expenses of the general governments though can be referred, wherever useful and applicable for audit of other public sector audits.

The guide is prepared principally for the purpose of conduct of financial audits under the Office of Auditor General's Financial Audit Manual. The guide also contains some aspects of testing and examination of compliances and performances within the government offices the aspect that forms the part of the Financial Audit under the Public Audit Restructuring Framework (PARF). Additionally, this guide may also be a handy reference for specific compliance and performance audit for areas related to administrative expenses.

This guide is a supplement to and should be used in conjunction with Financial Audit Manual (FAM) of OAGN. This guide is designed to confirm with the provisions of INTOSAI Framework of Professional Pronouncements (IFPP).

1.4. Government Chart of Accounts and GFS Classification

Government of Nepal (GoN) has been classifying the accounting codes in accordance with Government Financial Statistics (GFS) classification. These codes have been classified systematically according to the nature of the transactions. Financial Audits of Office of Auditor General Nepal require audits of the financial information prepared by the government entities and government offices.

Considering the fact that the classification of accounting and reporting codes is based on the nature of the events and the transactions each class of accounting classification requires special attention and focus from audit perspective.

Applicable Legal Provisions for classification of accounting codes

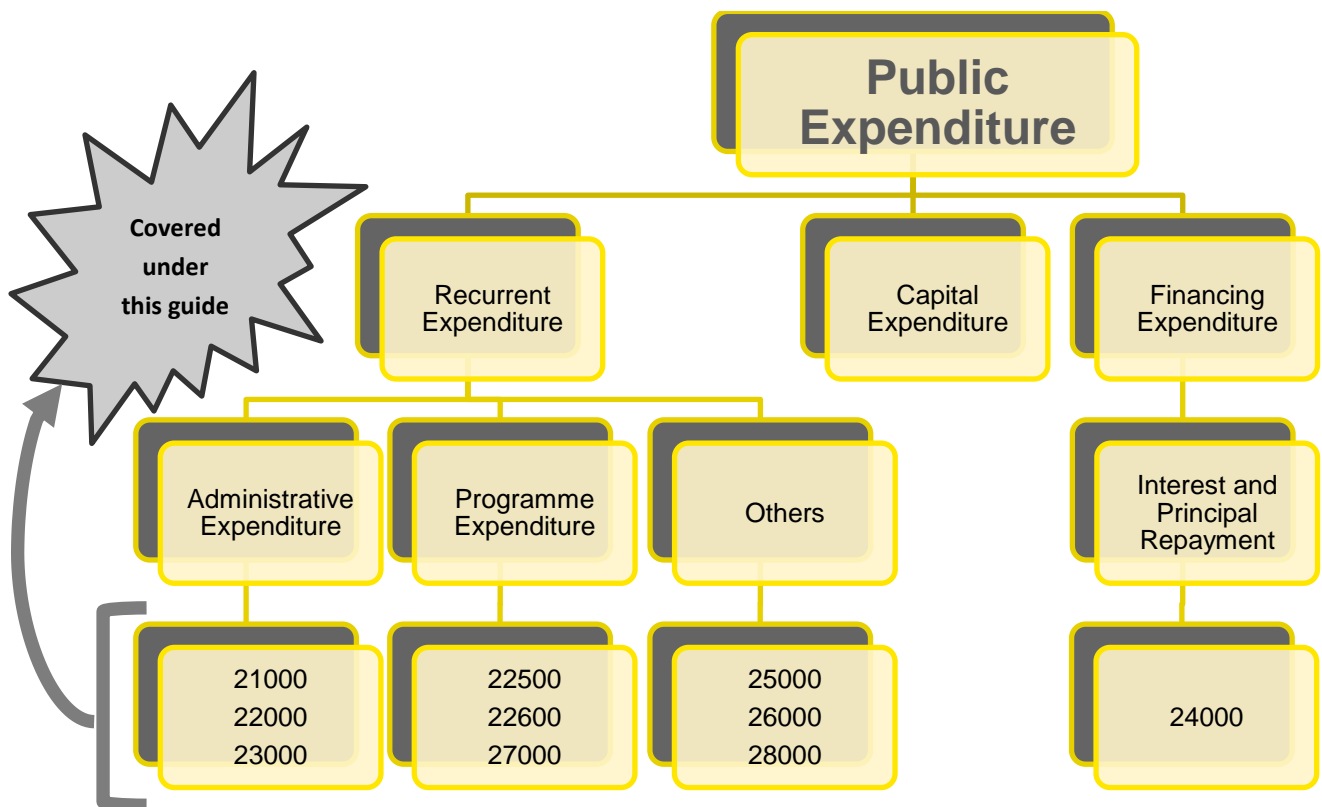
Sec 25 (4) of the Financial Procedure and Financial Accountability Act 2076 requires FCGO to prepare the accounting formats, economic codes and classification which in turn has to be approved by the auditor general of Nepal.

- For provincial and local levels (i.e. Sub-national governments)
 - Sec 31 and 32 of the Intergovernmental Fiscal Management Act 2074 require the provincial and local government to maintain accounts as prescribed by the federal government including following the account classification
 - Sec 76 (2) of Local Level Operation Act 2074 require the local levels to follow the formats and classification as prescribed by FCGO and as approved by the auditor general.

1.5. Understanding Administrative Expenses

Public expenditures are generally classified under three broad budgetary headings, namely

- a. Recurrent Expenditure – operational and regular programme expenditures
- b. Capital Expenditure – purchase and development of capital assets
- c. Financing Expenditure – payments of principal and interest of borrowed amount



Bulk of the administrative expenditures falls within the recurrent expenditure of the government.

FCGO has under the Financial Procedure and Accountability Act has prescribed a Chart of Accounts, which is based on IMF's GFS classification, applicable to all spheres of the government.

The structure of this audit guide is based on the FCGO's chart of account. Following headings have been considered under this administrative expense audit guide which is wider than the administrative expenses in the pure sense. This is done with an intention to provide broader guidance to audit recurrent expenditures of the government.

a. 21000 Series Compensation of Employees

Remuneration employment related payment paid to employees and office bearers in lieu of the services rendered falls under this heading. However any remuneration related with the capital creation shall not be included here and are included in the related capital asset heading.

b. 22000 Series Use of Goods and Services

Goods and services required for the government offices are charged under this heading. This heading also includes the following:

- programme expenses
- expenses related to travel and monitoring
- expenses related to the production of raw materials and goods, and
- other miscellaneous expenses.

c. 23000 Series Consumption of Fixed Capital

The consumption of property plant and equipment (fixed assets), which is the systematic allocation of cost over the useful life of the asset, is charged under this heading. (more relevant to accrual accounting, GoN follows cash basis of accounting)

d. 24000 Series Interest, service fee and bank commission

Interests (finance cost) in relation to the financial liability or use of tangible or non-productive asset are included under this heading. Bank charges and commissions are also included under this heading. (though these expenses are more financial in nature, specially the interest payments, these have been included in this audit guide)

e. 25000 Series Subsidies

Subsidies, of current nature, provided by the government to any public corporations or other institutions are included under this heading.

f. 26000 Series Grants

Grants, of any kind, given by the government are included under this heading.

g. 27000 Series Social Benefits

Expenditures incurred by the government for giving cash or in-kind benefits with the objective of providing social security are included under this heading.

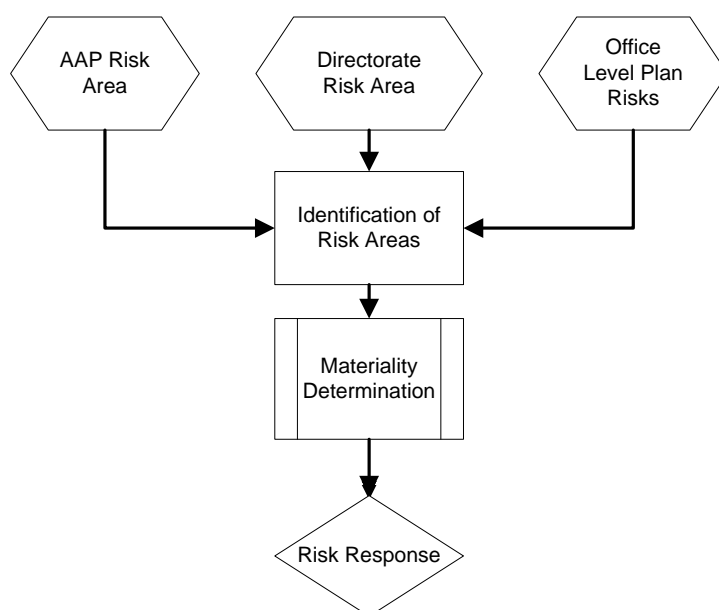
h. 28000 Series Other Expenses

All refunds to be made by the government, rent of land and building and other expenses are included under this heading.

1.6. Audit process – Administrative Expenses Audit Guide

The audit process covers specifically of the administrative expenses. This is in line with the audit process as provided in NGAS and in the Financial Audit Manual. Auditor should also refer to the financial audit manual for detail financial audit process.

1.6.1. Planning¹



Planning Consideration for audit of administrative expenses

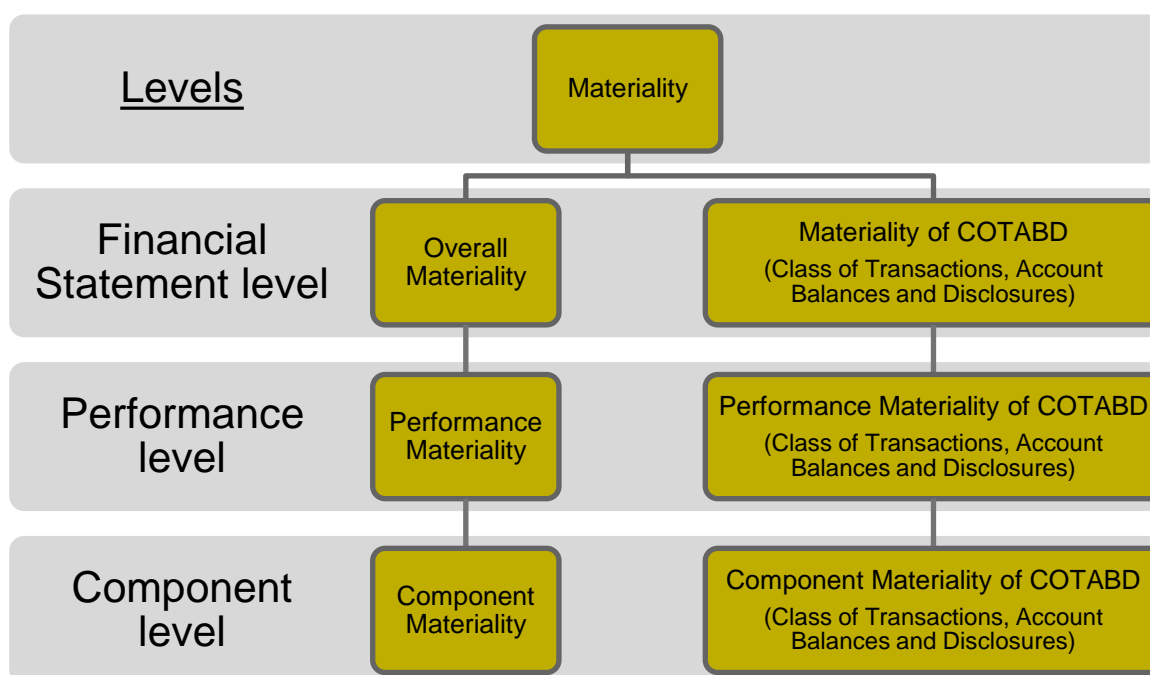
- a. Risks identification and assessment - Risks associated with administrative expenses are identified and assessed at three different sources
 - At strategic level in the annual audit planning stage of the auditor general where higher level risks are identified and analysed
 - At the directorate level, while preparing entity level planning where specific sectoral risk based on the nature and business of the entity (e.g. ministry) is identified and analysed
 - At office level where auditor identified possible risks in administrative expenses in the particular office based on the auditor's knowledge and experience, audit issues identified and reported in the past and based on any particular new information that has come to the knowledge of the auditor.
- b. Materiality

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

This administrative expense audit guide provides the guidance to conduct audit of the administrative expenses. However, auditor needs to apply professional judgement in considering the materiality of each sub-category of the administrative expenses and determine the nature extent and timing of the audit procedure.

¹ To be applied with Para 4.3 of Financial Audit Manual and Para 3.3 of Compliance Audit Manual Para

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



Auditors in their judgement may apply the overall component materiality while auditing administrative expenses or else, if the risk assessment requires so apply materiality for specific class of transaction or account balances, i.e. assign specific materiality to a COTABD that can be a particular programme, or international travel etc.

c. Risk Response

Risk response is the determination of nature, extent and timing of the audit which shall be based on the risk assessment and materiality of the audited area. This shall guide the

- Nature of the audit procedure to be performed
- Extent of the testing

1.6.2. Execution²

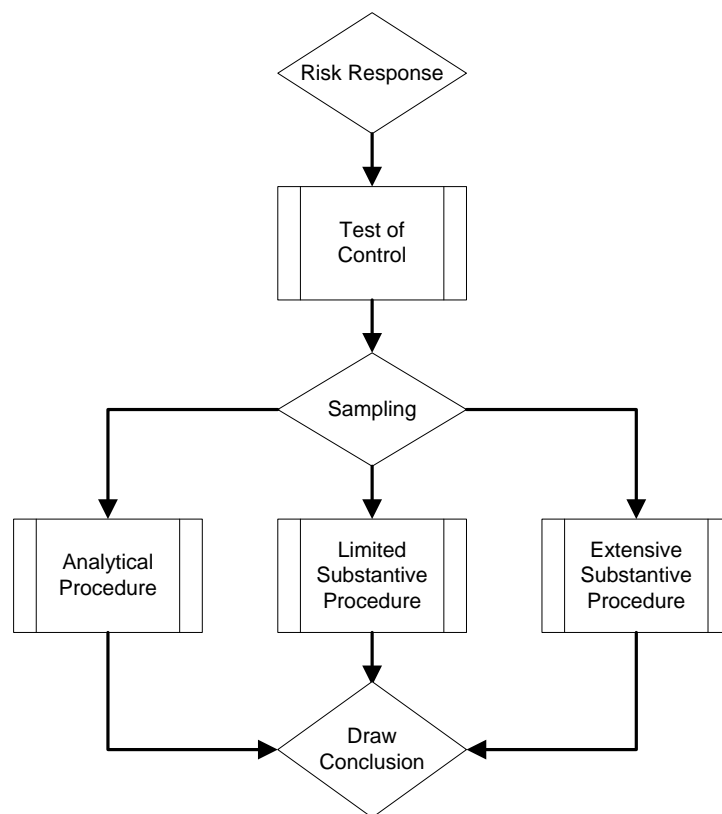
Based on the risk response prepared under the planning stage, administrative expenses are subjected to Test of Control procedures whereby the auditor assesses whether the controls associated with the administrative expenses are designed appropriately and are operating effectively or not.

² To be applied with Para 5.3 of Financial Audit Manual and Para 4.3 of Compliance Audit Manual Para

The results of the test of control controls further informs the auditor for performing nature and extent of substantive procedures to be performed.

- The extent of the procedures is determined by way of altering the sampling
- Nature of the audit procedure depends on the associated risks and the results of the test of controls. These audit procedures also known as substantive procedure might be one or combination of the following
 - Analytical Procedure as substantive procedure
 - Limited substantive procedures
 - Extensive substantive procedures

The substantive procedures involve the testing of the audit assertions, namely Completeness, Occurrence, Measurement, Presentation, Accuracy, Rights and Obligations, Existence (mnemonic - COMPARE)



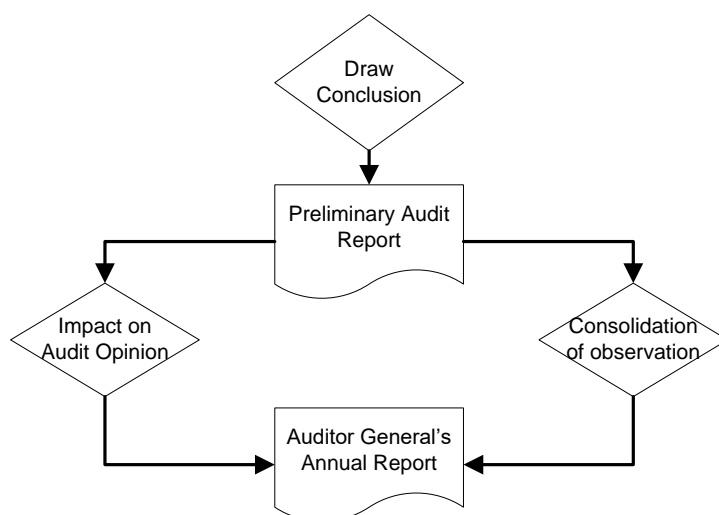
1.6.3. Reporting³

After the completion of the audit procedures auditors shall draw conclusions of the audit and discuss during the audit exit conference with the auditee. Then the auditor should prepare preliminary audit report including material observations and findings for the concerned office to respond within the time stipulated by the law.

³ To be applied with Para 6.3 of Financial Audit Manual and Para 5.3 of Compliance Audit Manual Para

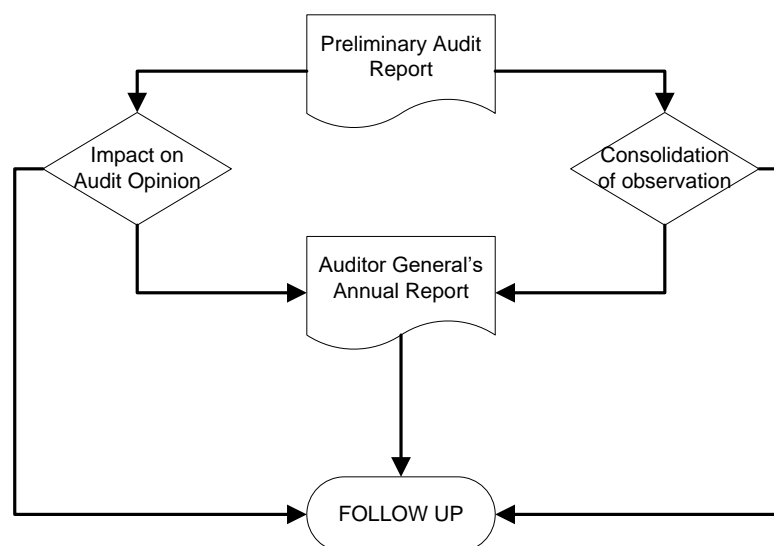
The observations and finding on administrative expenses are compiled and consolidated to assess whether they have any material bearing on the audit opinion of the financial statements.

Furthermore, the issues are consolidated at the entity (e.g. Ministry) level and reconsidered for inclusion in the auditor general's annual report.



1.6.4. Follow-up⁴

The observation and finding on administrative expenses reported by the auditor in the preliminary audit report are subject to follow up actions under the procedure prescribed by the law and OAGN practices.



⁴ To be applied with Para 7.3 of Financial Audit Manual and Para 6.3 of Compliance Audit Manual Para

1.7. Definitions

Financial Statements

Financial Statements refer to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework⁵

Financial Information

Financial Information refer to accounting and related data of the entity and/or offices which may or may not have been presented in a reporting form.

Public Sector

Public sector includes General Government and Public Corporations

General Government

The general government sector consists of resident institutional units that fulfil the functions of government as their primary activity such as all government units of federal, provincial and local governments and their extra budgetary units.

Administrative Expenses

Administrative expenses comprise of expenses of recurring nature for the general government for day-to-day operation of the government office, activities and services.

Entity

Entity means the body that prepares financial statements in accordance with the applicable financial reporting framework, whether general or specific.

Office

Office means the underlying hierarchy or the constituent components of the entity that include subordinate offices (or branches where applicable) or similar bodies whose financial information are included in the financial statements.

⁵ ISSAI 2200.13(f)

Part - II

Audit of Administrative Expenses

2. Audit Objectives and considerations

Objective of Administrative Expense Audit

The main objective of the Administrative Expenses Audit is to ensure that the expenditures have been made in accordance with the budgetary appropriation, under correct heading for the stated purpose to meet the objectives of the spending unit within the entity's work-plan in compliance with the prevalent laws and regulations.

Objective of the financial audit

The objective of the financial audit is to enable auditor to express an opinion on the financial statements that they have been prepared in accordance with the applicable reporting framework and applicable legislative requirements.

In addition to these objectives audit of public sector also requires auditor to report on

- Internal control
- Regularity (compliance of laws and regulations)
- Propriety and probity of transactions
- Economy, efficiency and effectiveness of the transactions and events.

This guide also provides guidance for the auditor to assess the risk of material misstatement due to administrative expenses related events and transactions.

2.1 Compensation of Employees 21000

Governments generally have human resource (HR) policies defined by the laws and regulations that set the remuneration and benefits provided to its officials and staff. These are appropriated within the budgetary legislations. These expenses are of fixed in nature and are not variable with the offices' programmes and activities. Therefore, understanding of the GoN's recruitment and benefits policies and practices is vital to understanding of these expenses.

For many governments' offices employee remuneration and benefit costs make up the most significant expenses in their financial statements, for others they make up, usually, well above the materiality level. Though, the materiality and risk of material misstatement under Compensation of employees is up to the judgement of the auditor.

2.1.1 Wages and Salaries 21100

This includes employment related payments to the employees and office bearers. (Salary Expenses related to the creation of capital asset is charged to the capital assets cost and not to wages and salaries).

Objective of the Audit:

- Only eligible costs related with employees are recorded

Associated Risks:

- Unapproved and unauthorised salary payment

SN	Particulars - Audit considerations	Basis of Checking
1	<p>Employee Remuneration (21111): This includes payment for salary, grade provident fund, accumulated leave payments and festival expenses. Verify for calculation and payment of employee remuneration whether:</p> <ul style="list-style-type: none"> • Remuneration is paid to the approved positions only; • Scales and grades have been in accordance with approved regulation; • Remuneration is directly paid into the bank account of the employees; • Payments to those in 'acting' positions have been duly approved; • Double payment has been made for transferred (or loaned) staff; • Overdue advance has been settled with the salary; • Payment have been made for unattended days beyond eligible leaves; • Payment in lieu of leaves and festival expenses have been correctly calculated; • Remunerations for project works and temporary positions have been correctly calculated; and • Provident fund, CIT and social security contribution, has been deducted and deposited on timely manner. • Controls on salaries and wages: Verify whether <ul style="list-style-type: none"> ○ Monthly payroll sheets are prepared in designated formats; ○ Payroll are covered within the internal audits and certified by internal audits in line with financial procedure legislations; ○ There is a system to reconcile the attendance records and payroll preparation; ○ All approved positions are filled in; ○ Control by regulation: <ul style="list-style-type: none"> - Public service act and regulation requirements are complied with; 	<ul style="list-style-type: none"> • Approved positions • Verified payroll report • Evidence of salary payment (receipts / bank transfer) verified with payroll report • Attendance records • List of employees in education leave and special leave and not eligible to receive salary • Temporary positions (in case of projects) • OAG Form no 226 <p>Guidance for audit procedure</p> <ul style="list-style-type: none"> ○ Analytical Procedure for the sampled month(s) ○ Extensive Substantive procedures (if considered high risk)

SN	Particulars - Audit considerations	Basis of Checking
	<ul style="list-style-type: none"> - The compliance of directives (such as from Ministry of General Administration, Ministry of Finance and requirements of Public service commission) have been adhered to; and <ul style="list-style-type: none"> o Designated OAGN forms filled and maintained (OAG From No 226). 	
2	<p>Salary of office bearers (21112): This includes remuneration of office bearers of constitutional bodies and other public institutions. Auditor has to verify whether remuneration of office bearers of constitutional bodies and other public institutions have been as determined by the prevalent legal provisions.</p> <ul style="list-style-type: none"> • Remuneration is paid to the approved positions only; • Scales and grades have been in accordance with approved regulation; • Remuneration is directly paid into the bank account of the office bearers; • Payments to those in 'acting' positions have been duly approved; • Overdue advance has been settled with the salary; • Payment have been made for unattended days beyond eligible leaves; • Payment in lieu of leaves and festival expenses have been correctly calculated; and • Provident fund contribution has been deducted and deposited on timely manner. 	<ul style="list-style-type: none"> • Verified payroll report • Evidence of salary payment (receipts / bank transfer) verified with payroll report • Attendance records • Special leave and not eligible to receive salary • OAG Form no 226 <p>Guidance for audit procedure</p> <ul style="list-style-type: none"> o Analytical Procedure for the sampled month(s) o Extensive Substantive procedures (if considered high risk)
3	<p>Uniform (21121): This includes payment and expense related with uniform provided to the employees including boots/shoes, cap etc. Auditor needs to be verified to ensure whether:</p> <ul style="list-style-type: none"> • Only eligible amounts have been paid and/or expensed. • Controls on uniform: Verify whether <ul style="list-style-type: none"> o Adequate documentation is maintained for uniform payments; o Adequate budget is available; o Where uniforms are procured verify compliance of Procurement Act and Regulations have been duly complied <ul style="list-style-type: none"> - For Procurement act and regulation (<i>Refer Procurement audit guide</i>) 	<ul style="list-style-type: none"> • Uniform expense recognized in the month of identified in AAP • Calculated based on the employee as on the specific month • Voucher related with uniform expenditure
4	<p>Food (21122): This includes expenses related with the food and eatables provided to the employees in the form of ration or cash. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> • Procured as per the legal provisions of public procurement⁶; <ul style="list-style-type: none"> o For Procurement act and regulation (<i>Refer Procurement audit guide</i>) 	<ul style="list-style-type: none"> • Refer to the ration section of the Procurement Audit Guide • Advance ledger / register • Payment vouchers • Procurement files • Store records (some relevant OAG forms)

⁶ Public Procurement Act 2063 Sec 42, Public Procurement Regulation, 2064 Rule 88-93

SN	Particulars - Audit considerations	Basis of Checking
	<ul style="list-style-type: none"> Advances have been allowed to the contractors without guarantee / bonds; Advances given more than the authorised limit. Advances given without settlement of the previous advance. Advance not settled with monthly (periodic) billings; Whether payments are within the authorised limits; and Controls on food: Verify whether: <ul style="list-style-type: none"> Unexpired Performance bond / guarantee is retained; Reconciliation of the financial cost of food and the physical head count of the food beneficiaries; Controls by regulation: <ul style="list-style-type: none"> Designated OAGN Forms on inventory (OAG Forms 400 series) are maintained properly. 	<ul style="list-style-type: none"> 401 – Requisition 402 - Purchase order 403 – Good Receipt Note 404 – Issue 405 – Returns
5	<p>Medical treatment (21123): This includes payments to employee in the form of medical insurance, medical treatment, medical related travel and attendant expense. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> Amounts are paid in excess of what is eligible. (i.e. payment criteria not met); Paid without the proper medical documentation; Controls by regulation: <ul style="list-style-type: none"> Public service act and rules. 	<ul style="list-style-type: none"> Application for claim Doctor's prescription Bills and / or receipts of medicines List of records of medical expenses paid during the year Approval documents Letter from Department of Personnel Records
6	<p>Remote area allowance (21131): This includes allowances for employee working in the remote areas. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> Computation of allowance is in accordance with prevalent laws and regulation and directives including the schedule of remote areas as published in the gazette; and Eligibility, amount and rates of remote area allowances for various positions. 	<ul style="list-style-type: none"> Eligibility and approved rates Dates justifying the services in remote area (e.g. attendance) Tax implications
7	<p>Allowance for price rise (21132): This includes allowance for employees for the price rise. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> The allowance is calculated and paid in accordance with the prevalent laws, regulations and decisions; and Eligibility, amount and rates of allowance of price rise are as authorised. 	<ul style="list-style-type: none"> Budget decision Approved rates Computation of allowance
8	<p>Field allowance (21133): This includes allowances for employees for the field works. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> The allowance is calculated and paid in accordance with the prevalent laws, regulations and decisions Eligibility, amount and rates of field allowance are as authorised; and The field allowances are evidenced by the field visits. 	<ul style="list-style-type: none"> Authorization of field visits Field visit reports Approved rates Computation of allowance
9	<p>Employee meeting allowance (21134): This includes allowance for employees for attending meetings in the course of execution and performance of their duties if authorised. Auditors need to verify whether:</p>	<ul style="list-style-type: none"> Eligibility documents Minutes Authority for meetings

SN	Particulars - Audit considerations	Basis of Checking
	<ul style="list-style-type: none"> The allowance is calculated and paid in accordance with the prevalent laws, regulations and decisions; Eligibility, amount and rates of meeting allowance are as authorised; and Meeting minutes are available for verification. 	
10	Employee incentives and prizes (21135): This includes the incentive allowance to the employees and the prizes under the prevalent laws, regulations and decisions. Auditors need to verify whether: <ul style="list-style-type: none"> The allowance (incentives and prizes) is calculated and paid in accordance with the prevalent laws, regulations and decisions; and Eligibility, amount and rates of allowance (incentives and prizes) are as authorised 	<ul style="list-style-type: none"> Budget decision Approved amounts Decision's documentation
11	Foreign allowance (21136): This includes allowances for employees stationed and working in foreign countries <ul style="list-style-type: none"> The allowance is calculated and paid in accordance with the prevalent laws, regulations and decisions Eligibility, amount and rates of foreign allowance are as authorised 	<ul style="list-style-type: none"> Approved rates - in country / place specific Evidence of attendance Authorisation
12	Other allowance (21139): This includes allowances not categorised elsewhere such as childcare allowance, overtime allowance, employees working during festivities etc. Auditor Needs to verify whether: <ul style="list-style-type: none"> The allowance is calculated and paid in accordance with the prevalent laws, regulations and decisions Eligibility, amount and rates of allowances are as authorised 	<ul style="list-style-type: none"> Budget Authorisation and approval Eligibility justification Payment voucher
13	Office bearers' allowances (21140): This includes allowances for office bearers in the form of meeting allowance (21141), Other benefits (21142) such as for communication, clothing, medical treatment etc. and other allowances (21149): Auditors needs to verify whether <ul style="list-style-type: none"> The allowance is calculated and paid in accordance with the prevalent laws, regulations and decisions Eligibility, amount and rates of allowances are as authorised 	<ul style="list-style-type: none"> Budget Authorisation and approval Eligibility justification Payment voucher
14	Withholding taxes (Salaries and Wages 21100): Verify whether: <ul style="list-style-type: none"> Withholding taxes on salaries, wages and benefits have been deducted in accordance with the relevant tax laws and deposited to designated revenue account on timely basis. Withholding on food payments (including ration) has been duly deducted and timely paid 	<ul style="list-style-type: none"> Annual tax calculation sheet for employee remuneration Tax payment (payment receipts)

2.1.2 Employer's social contribution 21200

This includes payment for social security of the employees.

Objective of the Audit:

- Eligible social contribution has been calculated and paid.

Associated Risks:

- Inaccurate calculation and late deposits.

SN	Particulars - Audit considerations	Basis of checking
1	Social security fund expense (21211) and (21221): These include the government's payment to the social security fund on behalf of the employees and office bearers. Auditor needs to verify whether <ul style="list-style-type: none"> • The computation of the social security contribution obligation of the employer is done as per the prevalent rules and regulation. • Such contribution is timely paid into the social security fund • The documentation of the social security payments has been properly maintained or not 	<ul style="list-style-type: none"> • Payment / deposit voucher • Computation
2	Contributory pension and gratuity fund expense (21212) and (21222): These include the government's payment to the contributory pension schemes for the existing employees or office bearers and the gratuity payment to the retired employees and office bearers. Auditor needs to verify whether: <ul style="list-style-type: none"> • The computation and payment to the contributory pension scheme for the employees/ office bearers is as per the prevalent regulations and norms. • Gratuity payment for the retired employees / office bearers is correctly calculated based on the service rules and vetted by the appropriate authority and entity wherever applicable. • Applicable withholding taxes have been considered and deducted wherever applicable. 	<ul style="list-style-type: none"> • Payment / deposit voucher • Computation
3	Contributory insurance fund expense (21213) and (21223): These include payment into the contributory insurance funds for employees or office bearers as applicable. Auditor needs to verify whether: <ul style="list-style-type: none"> • Such contributions / payments are in accordance with the prevalent laws, regulations or decisions • These insurance funds are approved, and • The payments are authorised 	<ul style="list-style-type: none"> • Payment / deposit voucher • Computation
4	Employee benefit fund (21214) and Office bearer benefit fund (21224): These include government's contribution to the employee benefit fund or office bearers' benefit fund as applicable. Auditor needs to verify whether: <ul style="list-style-type: none"> • Such contributions / payments are in accordance with the prevalent laws, regulations or decisions • These benefit funds are approved, and • The payments are authorised 	<ul style="list-style-type: none"> • Payment / deposit voucher • Computation

SN	Particulars - Audit considerations	Basis of checking
5	Other social security fund expense (21219) and (21229): These include any other social security payment for employees or office bearers. Auditor needs to verify: <ul style="list-style-type: none"> Such payments are in accordance with the prevalent laws, regulations or decisions; and The payments are authorised 	<ul style="list-style-type: none"> Payment / deposit voucher Computation

2.2 Use of Goods and Services 22000

Use of Goods and Services forms the regularly appropriated expenses for operation of government offices. Some expense headings may be significant in one entity and other expense headings may be significant in other entity, depending on the nature of the activity and the appropriation and actual disbursements.

Materiality consideration may be crucial for effective and efficient completion of the audit of Use of goods and services.

2.2.1 Service Charge 22100

This includes payments for the services required and received by the government offices.

Objective of the Audit:

- Office related goods and service charges are paid within budgetary limits.

Associated Risks:

- Nonofficial or unauthorised payments being made.

SN	Particulars - Audit considerations	Basis of checking
1	Water and electricity (22111): This includes payment for water charge, sewerage charge and electricity charge including related installation charges. Auditor needs to verify whether: <ul style="list-style-type: none"> Charges are paid on time to avoid incidence of fines and penalties; Benefit of early payment (if available) has been availed; Nonofficial (or personal) charges are not paid through public funds; and Evidence of deposits with the service provider safely maintained. 	<ul style="list-style-type: none"> Evidence of regular payment Instances of fines (if any) Deposit records Application guideline <ul style="list-style-type: none"> Analytical procedure for selected month(s)
2	Communication (22112): This includes payment for telephone, internet, website hosting, postage, courier and similar communication charges. Auditor needs to verify whether: <ul style="list-style-type: none"> Charges are paid on time to avoid incidence of fines and penalties; Benefit of early payment (if available) has been availed; 	<ul style="list-style-type: none"> Evidence of regular payment Instances of fines (if any) Deposit records Eligibility of communication expenses

SN	Particulars - Audit considerations	Basis of checking
	<ul style="list-style-type: none"> Nonofficial (or personal) charges are not paid through public funds; Evidence of deposits with the service provider safely maintained; Limit of communication expense as benefit paid to officials not adhered to; and Retired / transferred officials continuing to avail the benefits as if when they were in positions. 	<p>for office bearers (based on actual invoices)</p> <p>Application guideline</p> <ul style="list-style-type: none"> Analytical procedure for selected month(s)
3	<p>Public utility expenses (22113): This include payment for public services to be availed by general public such as public water supply, electricity, television etc. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> Nature of the service paid for is for general public utilities Charges are paid on time to avoid incidence of fines and penalties; Benefit of early payment (if available) has been availed; and Non-official (or personal nature) charges are not paid through public funds. 	<ul style="list-style-type: none"> Evidence of regular payment Payment only against valid invoices <p>Application guideline</p> <ul style="list-style-type: none"> Analytical procedure for selected month(s)

2.2.2 Operation and maintenance of fixed assets 22200

This includes current expenses related with repair and operation of government's capital assets such as vehicles and machineries.

Objective of the Audit:

- Office related goods and service charges are paid within budgetary limits.

Associated Risks:

- Non-official or unauthorised payments being made out of public funds.

SN	Particulars - Audit considerations	Basis of checking
1	<p>Fuel - office bearers (22211): This includes payments for fuel and lubricants for office bearers. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> The quantity of the fuel and / or amount for the is defined in the eligibility decision; The amounts paid have been provided for in the budget; Officer bearers do not use the office fuel expense while availing this facility to avoid double claiming of benefits and excessive charge on the treasury; and Controls such as use of valid fuel coupons have been in place. 	<ul style="list-style-type: none"> Analysis of fuel consumption pattern Eligibility of the fuel expenses for office bearers <p>Application guideline</p> <ul style="list-style-type: none"> Analytical procedure for selected month(s)
2	<p>Fuel – office (22212): This includes fuel and lubricants expenses for office vehicles but excludes vehicle fuel for carriage vehicles carrying construction materials cost of which is included in the cost estimate. Auditor needs to verify whether:</p>	<ul style="list-style-type: none"> Analysis of fuel consumption pattern Payment only against valid bills / invoices

SN	Particulars - Audit considerations	Basis of checking
	<ul style="list-style-type: none"> Vehicle logbook have been maintained, reviewed and authorised or not; The log mileage and the fuel usage reconciled considering the fuel consumption rate of the specific vehicle; Vehicles have been exclusively used for official purpose only; Need for periodic lubrications and oils are reasonable and as per mechanical requirement; Fuel procured from other than designated pumps (except for the field visits); Controls such as use of valid fuel coupons have been in place; and Fuel expenses are with the budgetary limits. 	<p>Application guideline</p> <ul style="list-style-type: none"> Analytical procedure for selected month(s)
3	<p>Vehicle repair & maintenance (22213): This includes repair & maintenance of vehicles in service for the office and includes expenses for batteries, materials and labour charges as part of periodic maintenance but exclude expenses enhancing vehicle life. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> Expenses of capital nature are not included under this heading; Regular and reasonable repair & maintenance expenditures have been incurred; Repair & maintenance have been done from listed service providers except when authorised on exceptional basis; Expenses are within the budgetary limits and have been supported by adequate and appropriate supporting documents; Provision of procurement act and rules have been complied while availing and paying for vehicle repair & maintenance; <ul style="list-style-type: none"> For Procurement act and regulation (<i>Refer Procurement audit guide</i>) OAGN forms 414 and 415 are duly filled and recorded for repair & maintenance works; VAT registered supplier used for repair services; and Unrelated expenses have been included under this heading 	<ul style="list-style-type: none"> Justification for repair approved and documented OAG Forms <ul style="list-style-type: none"> 414 415
4	<p>Insurance and renewal (22214): This includes insurance of public properties such as road, bridge, canal, hydroelectric plant, building, machinery, equipment, vehicle including their party insurance and vehicle renewal charges. This should not include insurance ducting construction as it amounts to capital expenditure. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> Insurance of public properties is done as per the government policy and decision and public properties are adequately covered for risk of loss; All insurance policies are kept up to date and premiums are paid on time for the validity of the policies that there are no expired policies; Cost benefit analysis have been done while deciding on the insurance (sometimes the cost of insurance may be higher than the possible benefit derived, or risk covered); and 	<ul style="list-style-type: none"> Insurance policies documented Timely renewals Risk assessment documentation

SN	Particulars - Audit considerations	Basis of checking
	<ul style="list-style-type: none"> Premiums are paid considering the depreciated assets value and not the original price. 	
5	<p>Machinery and Equipment's operation and repair & maintenance (22221) and Operation and maintenance of other assets (22291): This includes operating cost of the machinery and equipment and other assets in the office including their regular repair & maintenance. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> Justification of repair & maintenance is documented; Capital expenditure (of capital nature) is charged to this recurrent cost heading; Procurement of repair service is in compliance with procurement legislation; <ul style="list-style-type: none"> For Procurement act and regulation (<i>Refer Procurement audit guide</i>) Frequency of emergency / extraordinary repair and maintenance adequately supported and approved; OAGN forms 414 and 415 are maintained properly; Operating and repair & maintenance costs are within the stipulated budget; and Non-official (or personal) operational and maintenance costs are charged to the public funds. 	<ul style="list-style-type: none"> Justification for repair approved and documented OAG Forms <ul style="list-style-type: none"> 414 415
6	<p>Repair and Maintenance of public properties (22231): This includes repair and maintenance of public assets such as road, bridge, canal, hydroelectric plant, building etc.</p> <ul style="list-style-type: none"> Justification of repair& maintenance is documented; Capital expenditure (of capital nature) is charged to this recurrent cost heading; Procurement of repair service is in compliance with procurement legislation; <ul style="list-style-type: none"> For Procurement act and regulation (<i>Refer Procurement audit guide</i>) Frequency of emergency / extraordinary repair and maintenance adequately supported and approved; OAGN forms 414 and 415 are maintained properly; Operating and repair & maintenance costs are within the stipulated budget; and Non-official (or personal) operational and maintenance costs are charged to the public funds. 	<ul style="list-style-type: none"> Justification for repair approved and documented OAG Forms <ul style="list-style-type: none"> 414 415
7	<p>Withholding taxes (Operation and Maintenance Payments 22200): Auditor need to verify whether:</p> <ul style="list-style-type: none"> Withholding tax requirements for applicable payments adhered to; and Withholding has been deducted, short deducted or not paid or paid with delay into the stipulated revenue account. 	<ul style="list-style-type: none"> Computation of WHT appropriate rates under the IT Act Tax payment (payment receipts)

2.2.3 Office equipment and services 22300

This includes expenses for office supplies and services for operation of government offices.

Objective of the Audit:

- Procurement laws complied in obtaining office equipment and services as provided in the budget

Associated Risks:

- Capital expenditures being charged to recurrent budget

SN	Particulars - Audit considerations	Basis of checking
1	<p>Stationeries and office utilities (22311): This includes payments for office stationeries, materials with useful life less than one year, materials costing per unit less than NPR 5000, small ancillary items for security equipment, carriage cost of government goods, bank charges compensation, and similar services. Auditor needs to verify whether:</p> <ul style="list-style-type: none">• Stationeries are purchased in accordance with the public procurement laws<ul style="list-style-type: none">○ For Procurement act and regulation (<i>Refer Procurement audit guide</i>)• Stationery requisition, order, received and issued are adequately authorised• Stationery recording is done by using appropriate OAGN forms namely from 400 series• Periodic physical verification of stationery and utilities is done as per the financial procedure and financial accountability laws.• Utility payments charged to this heading conform with the transaction qualifying to be included and are adequately authorised and supported• All office utility payments confirm to the budgetary limits and authorised and adequate and appropriate supporting documents.	<ul style="list-style-type: none">• Requirement justification• Invoices• Approvals• Quality and quantity checks• Store controls (some relevant OAG forms)<ul style="list-style-type: none">○ 401 – Requisition○ 402 - Purchase order○ 403 – Good Receipt Note○ 404 – Issue○ 405 – Returns
2	<p>Animal feed (22312): This include food expenses of animals in the public sector. Auditor needs to verify whether:</p> <ul style="list-style-type: none">• Animal food / diet is estimated and approved by relevant expert;• Procured as per the legal provisions of public procurement;<ul style="list-style-type: none">○ For Procurement act and regulation (<i>Refer Procurement audit guide</i>)• Advances have been allowed to the contractors without guarantee / bonds;• Whether payments are within the authorised limits and with proper supporting documents; and• Food expenses are reconciled with head count of the animals and with the experts' estimates for reasonableness.	<ul style="list-style-type: none">• Requirement justification• Invoices• Approvals• Quality and quantity checks• Store controls (some relevant OAG forms)<ul style="list-style-type: none">○ 401 – Requisition○ 402 - Purchase order○ 403 – Good Receipt Note○ 404 – Issue○ 405 – Returns
3	<p>Books and other materials (22313): This includes books, sports items and educational materials for public schools for free</p>	<ul style="list-style-type: none">• Requirement justification• Invoices• Approvals

SN	Particulars - Audit considerations	Basis of checking
	<p>distribution to the students and books for the public libraries. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> Books and materials are purchased in compliance with the procurement laws and regulations; <ul style="list-style-type: none"> For Procurement act and regulation (<i>Refer Procurement audit checklist</i>) Purchase planning and estimates are made in accordance with the available data of number of students in public school and the approved curriculum; All purchases are made well ahead of the starting of the educational year so that distribution can be made to the students when the session starts; Store records are maintained in accordance with OAGN forms. 401-406; Physical inventory count is done and evidences in OAGN form no 411; and Distribution to schools and students are adequately evidenced. 	
4	<p>Fuel – other use (22314): This includes expenses for fuel other than for vehicle such as kerosene, LPG, coal, firewood, battery (but batteries for vehicles are to be included in 22213). Auditor needs to verify whether:</p> <ul style="list-style-type: none"> The use of the fuel-other use is justifiable for as office operating expenses; Personal (nonofficial) expense have been included under this heading; There is available budget for such expense; and There is adequate document to support such payments and the expense has been duly approved. 	<ul style="list-style-type: none"> Requirement justification Invoices Approvals Store controls (some relevant OAG forms) <ul style="list-style-type: none"> 401 – Requisition 402 - Purchase order 403 – Good Receipt Note 404 – Issue 405 – Returns
5	<p>Newspapers, Printing and Publication (22315): This includes payment for printing works for the office, newspapers and periodicals and books required by the office and publication of public notices and information. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> Record of all official printing are properly maintained; The requisition for printing, assignment of job order to printers and payment to printers are duly approved, authorised, within budget and in accordance with procurement laws; <ul style="list-style-type: none"> For Procurement act and regulation (<i>Refer Procurement audit guide</i>) Only essential official items are printed; Newspapers, periodicals and office essential books are purchased within the approved budget limit and office receives them; Personal (non-official) newspapers and books are not charged to the public fund; Records of all publication of notices and periodicals are maintained as evidences for each day of publication; and 	<ul style="list-style-type: none"> Requirement justification Invoices Approvals

SN	Particulars - Audit considerations	Basis of checking
	<ul style="list-style-type: none"> The size of notice or informational published and the rate at which the publications are paid reconciles. 	
6	Other office operation expenses (22319): This include office operating expenses/payments that cannot be categorised elsewhere. Auditor needs to verify whether: <ul style="list-style-type: none"> The payments relate with the office operation and cannot be categorised elsewhere There is available budget for such expense and the expense are duly authorised and adequately supported. Expenses are for the official purpose 	<ul style="list-style-type: none"> Invoices Approvals Requirement justification
7	Withholding taxes (Office equipment and services 22300): Auditor need to verify whether: <ul style="list-style-type: none"> Withholding tax requirements for applicable payments adhered to; and Withholding has been deducted, short deducted or not paid or paid with delay into the stipulated revenue account. 	<ul style="list-style-type: none"> Computation of WHT appropriate rates under the IT Act Tax payment (payment receipts)

2.2.4 Service and consulting expenses 22400

This includes payments for services received including consulting services.

Objective of the Audit:

- Approved and authorised expenses are incurred within the budgetary limit.

Associated Risks:

- Expenses made to exhaust budget rather than the requirements.

SN	Particulars - Audit considerations	Basis of checking
1	Service and consulting expense (22411): This includes remuneration for study, research other than related with public physical works. This also include remuneration for investigation, inquiry, and consulting services received from experts and advisors. Auditor needs to verify whether: <ul style="list-style-type: none"> Selection of consultant / expert has been done complying with procurement norms; <ul style="list-style-type: none"> For Procurement act and regulation (<i>Refer Procurement audit guide</i>) Payment made for consulting and others expert services is related to the objectives of the entity and not just for the purpose of exhausting budget; Payment has been made after receipt of satisfactory deliverables; and Consulting services has been sought from outside only when expertise and resource is not available within the office or within the government 	<ul style="list-style-type: none"> Analysis of available resources Vs requirements Crosschecking the available positions and contracted positions Documentation of the services received
2	Information system and software operation expense (22412): This includes renewal charges of software, regular improvement	<ul style="list-style-type: none"> Requirements of services and IS related expenses

SN	Particulars - Audit considerations	Basis of checking
	<p>and consulting services for information system and software operation. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> • The renewal fee is contractual, approved and within the budget • Selection of consultant has been done complying with procurement norms; <ul style="list-style-type: none"> ○ For Procurement act and regulation (<i>Refer Procurement audit guide</i>) • Payment made for consulting services is justifiable and related to the software and information system and not just for the purpose of exhausting budget; and • Payment has been made after receipt of satisfactory deliverables; 	<ul style="list-style-type: none"> • Contracts
3	<p>Contract services fees and charges (22413): This includes contractual payments for the operation of the office and office utilities such as for security, gardening, letters courier, vehicle drivers, operation and maintenance of telephone, fax, and computers photocopy etc or similar one-time contracted service charges. The auditor needs to verify whether:</p> <ul style="list-style-type: none"> • The contract pertains to the services required by the office; • Whether the contracting and payment procedures are in compliance with procurement laws; <ul style="list-style-type: none"> ○ For Procurement act and regulation (<i>Refer Procurement audit guide</i>) • The receipt of the services that is satisfactory is documented, approved and has audit trail for verification; • Such services have been provided for in the budget; and • Contracts ensure that additional liability do not accrue to the public fund 	<ul style="list-style-type: none"> • Genuineness of services required • Contract document • Deliverables are evidenced
4	<p>Cleaning service charges (22414): This includes cleaning services of the public areas such as roads, market, religious sites, parks, public infrastructures etc. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> • Payments to the services providers and/or individuals have been verified; • There is adequate supervision, monitoring of cleanings services to ensure that payment is made only when such services are rendered; and • The records and documents evidence that the cleaning works performed; 	<ul style="list-style-type: none"> • Services required • Contract document • Deliverables are evidenced
5	<p>Other services fees and charges (22419): Other service fees and charges of the office other than specifically included elsewhere. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> • Such services charges pertain to the required services of the office and have been duly received; • Payment has been made after applicable withholding taxes; • Services have been taken as per prevalent procurement laws; and 	<ul style="list-style-type: none"> • Services required • Contract document • Deliverables are evidenced

SN	Particulars - Audit considerations	Basis of checking
	<ul style="list-style-type: none"> ○ For Procurement act and regulation (<i>Refer Procurement audit guide</i>) ● There is budget availability for such expenses. 	
6	Withholding taxes (Services and Consulting 22400): Auditor need to verify whether: <ul style="list-style-type: none"> ● Withholding tax requirements for applicable payments adhered to; and ● Withholding has been deducted, short deducted or not paid or paid with delay into the stipulated revenue account. 	<ul style="list-style-type: none"> ● Computation of WHT appropriate rates under the IT Act ● Tax payment (payment receipts)

2.2.5 Programme related expenses 22500

This includes all expenses in relation with production of goods from the raw materials. This heading also includes public expenses related with seminars, workshops, trainings, awareness programmes advertisement and allowances of the resource persons.

Objective of the Audit:

- Planned programmes expense are incurred to achieve the expected outcomes and objectives of the office.

Associated Risks:

- Non planned or budgeted programmes being undertaken.

SN	Particulars - Audit considerations	Basis of checking
1	Employee training (22511): This includes payments for training, seminar for skill and capacity development of the employees and also includes daily travel allowances and resource person or trainer's allowance. Auditors needs to verify whether: <ul style="list-style-type: none"> ● Training expenses undertaken after approval of annual training plans; ● Expenses undertaken for purpose other than training / capacity development activity not included under this heading; ● Amount spent as per estimate and is authorised; ● Trainer's / resource person's remuneration is paid more than the standard rate; ● Travel and DSA related with the training reconcile with the trainee numbers and training period; ● Selection of training venue and accommodation arrangements made within budget considering economy; ● DSA paid as per the entitlement; ● Annual training and capacity development plan are approved; and 	<ul style="list-style-type: none"> ● Need assessment documents ● Included in annual programme and budget ● Approval of programmes ● Norms for conducting cross verification ● Physical progress documented ● Follows Programme Operation Directives

SN	Particulars - Audit considerations	Basis of checking
	<ul style="list-style-type: none"> Trainings, workshops and seminars are undertaken in conformity with the standards and norms set by the government. 	
2	<p>Skill development and awareness trainings and seminars (22512): This includes payments for conducting training given publicly for income generation, skill development, empowerment, public awareness etc. This includes participant's allowances food, resource person's allowances, stationeries, hall rent and travel and daily allowances. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> The training activity is planned in the budget and the scope pre-determined; All payments are made under the norms set by the governments; Economy considered while procuring materials and selecting venue; and Supporting documentations are available to evidence of actual expenses including the participants list. 	<ul style="list-style-type: none"> Need assessment documents Included in annual programme and budget Approval of programmes Norms for conducting cross verification Physical progress documented Follows Programme Operation Directives
3	<p>Production materials and services (22520): This includes raw materials and other materials which can be converted into saleable or distributable product after application of labour and other production costs. All expenses of capital nature should be excluded. The examples are tangible products, livestock, agro-inputs, agro-products, audio-visual productions and hospital items usable for less than one year etc. The carriage and transport cost of those items should also be included here. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> Procurement of the materials for goods to be produced / distributed is done in compliance with the procurement act and rules <ul style="list-style-type: none"> For Procurement act and regulation (<i>Refer Procurement audit guide</i>) Goods for inputs, in the process of production or in finished form are properly stored Consumable and usable products are procured or produced The input output ratio including the normal loss of production is as per the set standards; Only quantity required for normal course of production are procured and stored Only direct labour inputs (from the timesheet / attendance is included) Other direct expenses pertain to the production of the goods and unrelated expenses have not been charged to this heading 	<ul style="list-style-type: none"> Cost sheet <ul style="list-style-type: none"> Raw materials Labour Overhead Admin charges Selling and Distribution costs Wastage documentation Analysis of input output ratio OAG inventory Forms 400 series
4	<p>Production controls: The controls for inventory for production of goods, auditor needs to verify whether:</p> <ul style="list-style-type: none"> Controls by regulation <ul style="list-style-type: none"> Public procurement act and rules – for raw materials and services 	<ul style="list-style-type: none"> Purchase documents – procurement contracts Store controls (some relevant OAG forms) <ul style="list-style-type: none"> 401 – Requisition 402 - Purchase order

SN	Particulars - Audit considerations	Basis of checking
	<ul style="list-style-type: none"> - For Procurement act and regulation (<i>Refer Procurement audit guide</i>) <ul style="list-style-type: none"> o Income tax act and rules • Proper storing practices followed • Reorder level determined; adequate stock of essentials maintained • OAG Forms 400 series properly maintained • Period physical verification of the assets recorded in OAG Form no 411 	<ul style="list-style-type: none"> o 403 – Good Receipt Note o 404 – Issue o 405 – Returns o 411 Physical verification
5	<p>Programme expenses (22522): This includes all programme expenses except those specifically covered under 22512. The areas covered here are for example health, education, agriculture, women, tourism, production and service delivery (except saleable items) etc. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> • The programmes are approved and budgeted for; • Only expenses actually incurred have been charged; • Records maintained to reconcile the programme expenses and the objectives achieved or outcome / output achieved • All expenses charged are adequately evidenced by supporting documents to ensure that programmes not undertaken have not been paid for; • Procurement act and regulations have been complied wherever applicable; <ul style="list-style-type: none"> o For Procurement act and regulation (<i>Refer Procurement audit guide</i>) • Programmes are within the objectives of the entity and merely undertaken to exhaust the budget; • Government norms and standards of payments have been followed for conducting programmes for TADA and similar expenses; • All programme activities are reconciled for financial and physical data; • Programme reports and records are adequately and properly maintained 	<ul style="list-style-type: none"> • Need assessment documents • Included in annual programme and budget • Approval of programmes • Norms for conducting programmes cross verification • Physical progress documented • Follows Programme Operation Directives
6	<p>Miscellaneous – programme expenses (22529): This includes expense payments for <i>puja</i>, worship and rites (<i>jap, yagya</i> etc) of religious and cultural institutions and programmes that have not been categorised elsewhere.</p> <ul style="list-style-type: none"> • These are approved and budgeted for; • Only expenses actually incurred have been charged; • Records maintained to reconcile the expenses and the programmes conducted or activities performed and are evidenced; and • All expenses charged are adequately evidenced by supporting documents to ensure that programmes / activities not undertaken have not been paid for. 	<ul style="list-style-type: none"> • Need assessment documents • Included in annual programme and budget • Approval of programmes • Norms for conducting cross verification • Physical progress documented • Follows Programme Operation Directives
7	<p>Withholding taxes (Programme related expenses 22500): Auditor need to verify whether:</p> <ul style="list-style-type: none"> • Withholding tax requirements for applicable payments 	<ul style="list-style-type: none"> • Computation of WHT appropriate rates under the IT Act

SN	Particulars - Audit considerations	Basis of checking
	<p>adhered to; and</p> <ul style="list-style-type: none"> Withholding has been deducted, short deducted or not paid or paid with delay into the stipulated revenue account. 	<ul style="list-style-type: none"> Tax payment (payment receipts)

2.2.6 Monitoring, evaluation and travel expenses 22600

Expenses related with monitoring activities, domestic and foreign travels for the government works and for implementation of programmes are included under this heading. This includes travel expenses, accommodation, DSA, petty and other contingent expenses related in the travel.

Objective of the Audit:

- Genuine official travel and monitoring expenses are incurred within the norms and limits of the government.

Associated Risks:

- Expenses beyond approved limits and rates been incurred and incurred for purposes other than provided for in the budget.
- Personal expenses charged as official

SN	Particulars - Audit considerations	Basis of checking
1	<p>Monitoring and evaluation expenses (22611): This includes payments for monitoring and evaluating activities including travel and daily allowances of officials for M&E. The auditor needs to verify whether;</p> <ul style="list-style-type: none"> Only expenses related in monitoring and evaluating activities have been included under this heading; The monitoring and evaluation activity had actually occurred and there are sufficient and appropriate documents and evidences to support such activities; Person undertaking the monitoring and evaluation activity is competent and there was no conflict of interest situation; There is available budget for monitoring and evaluation and the activity has been clearly provided in the work plan; All travel documents and monitoring and evaluation reports have been properly maintained as the audit trail; and Government's expenditure norms and standards for M&E has been complied with. 	<ul style="list-style-type: none"> Monitoring reports Budget for monitoring and evaluation Advance settlements Cross-checking with attendance and other allowances
2	<p>Travel expenses (22612): This includes (a) Travel and travel related expenses of employee being transferred or loaned from one office to another (b) Travel expense for the family members of the transferred staff and (c) Travel and related expenses of employee on official duty within the country or outside the country for government's official work or programmes. This includes transport fare, travel and daily allowances, insurance,</p>	<ul style="list-style-type: none"> Travel documentation Advance settlement Travel report within 7 days Travels included in the annual programme OAGN forms 908 – Travel record

SN	Particulars - Audit considerations	Basis of checking
	<p>accommodation, and ancillary travel expenses. The auditor needs to verify whether:</p> <ul style="list-style-type: none"> • Actual travel time is claimed evidenced by documents; • Whether claims and payments are within the government standard, norms and limits; • Travel advances is settled within reasonable period of time after the travel ends; • Adequate supporting in original are submitted while settling and recording travel claims; • Amounts claimed for mode of travel and class of travel is as per the approved norms or approved schedule (class and mode of travel is in accordance with the entitlement of the position set in the government regulations and norms); • Nonofficial (i.e. personal) travel is charged to the public fund; • Travel records are recorded in OAGN Form no. 908; • Travel report is recorded and maintained as per OAG form no. 909; and • Travels are approved and authorised. 	<p>909 – Travel Report</p> <ul style="list-style-type: none"> • For foreign travels (additionally) <ul style="list-style-type: none"> ○ MoF's acceptance ○ Foreign travel management directives ○ Possibility of duplication of allowances and benefits if expenses borne by organiser
3	<p>Travel expenses of the VIP including the entourage (22613): This includes travel expenses of VIP including the entourage (delegation). This includes transport fare, travel and daily allowances, insurance, accommodation, and ancillary travel expenses. The auditor needs to verify whether:</p> <ul style="list-style-type: none"> • Travel is approved and authorised, especially for those in the entourage (delegation). • Amounts claimed for mode of travel and class of travel is as per the approved norms or approved schedule • Whether claims and payments are within the government standard, norms and limits; • Travel advances is settled within reasonable period of time after the travel ends; • Nonofficial (i.e. personal) travel is charged to the public fund; • Travel records are recorded in OAGN Form no. 908; and • Travel report is recorded and maintained as per OAG form no. 909. 	<ul style="list-style-type: none"> • Travel documentation • Advance settlement • Travel report within 7 days • Travels included in the annual programme • Budget availability and arrangement • OAGN forms <ul style="list-style-type: none"> 908 – Travel record 909 – Travel Report • For foreign travels (additionally) <ul style="list-style-type: none"> ○ MoF's acceptance ○ Foreign travel management directives ○ Possibility of duplication of allowances and benefits if expenses borne by organiser
4	<p>Other travel expenses (22619): This includes travel expense that has to be paid under prevalent laws but not included in 22611, 22612 and 22613. This includes any person travelling as witness in the lawsuit involving the government. The auditor needs to verify whether:</p> <ul style="list-style-type: none"> • The travel is authorised and approved; • Whether claims and payments are within the government standard, norms, decisions and limits; 	<ul style="list-style-type: none"> • Travel documentation • Advance settlement • Travel report within 7 days • Travels included in the annual programme • OAGN forms

SN	Particulars - Audit considerations	Basis of checking
	<ul style="list-style-type: none"> Travel advances is settled within reasonable period of time after the travel ends; Nonofficial (i.e. personal) travel is charged to the public fund; Travel records are recorded in OAGN Form no. 908; and Travel report is recorded and maintained as per OAG form no. 909. 	908 – Travel record 909 – Travel Report

2.2.7 Miscellaneous expense 22700

The different types of miscellaneous expenditures are charged under this heading.

Objective of the Audit:

- Miscellaneous expenses are spent in accordance with the legal requirements.

Associated Risks:

- Ineligible expenses being charged.

SN	Particulars - Audit considerations	Basis of checking
1	Miscellaneous expenses (22711): This includes payment for (a) approved entertainment, exhibition refreshment, party, (b) office security (c) welcoming delegation and hospitality and (d) expenses that has to be incurred legitimately but not classified elsewhere. Auditor needs to verify whether: <ul style="list-style-type: none"> There is adequate budget for the expenditure; The payments have been made for the official purpose and meets the definition criteria of this heading; Non-official (or personal) have been charged under this heading Disallowable expenses may have been charged (e.g. liquors, tobacco, gambling and other illegitimate entertainment costs) Government standards and norms has been followed in making these payments. 	<ul style="list-style-type: none"> Budget Annual programme Need assessment Justification of expenses and Approval Bills and Invoices
2	Assembly operating expenses (22721): This includes expenses for operating assembly of the local level. The auditor needs to verify whether: <ul style="list-style-type: none"> The expenses pertain to operating of the assembly of rural and urban municipalities and metropolitan and sub-metropolitan municipalities; The expenses are budgeted for; Expenses are supported by appropriate evidential documents and are authorised; Government's expenditure norms and standards have been followed in making all the payments such as allowances etc. 	<ul style="list-style-type: none"> Assembly dates and expenses Attendance Budget allocation and approval Bills and Invoices

SN	Particulars - Audit considerations	Basis of checking
3	Withholding taxes (Miscellaneous expenses 22700): Auditor need to verify whether: <ul style="list-style-type: none"> Withholding tax requirements for applicable payments adhered to; and Withholding has been deducted, short deducted or not paid or paid with delay into the stipulated revenue account. 	<ul style="list-style-type: none"> Computation of WHT appropriate rates under the IT Act Tax payment (payment receipts)

2.3 Consumption of fixed capital 23000

When fixed assets (property plant and equipment) are used their value is consumed over time, usually for more than one reporting period. Depreciation is that consumption of fixed assets where cost of the fixed assets is charged over their useful life. Systematic allocation of the cost of the fixed assets over the useful life is called as depreciation.

Depreciation is calculated using appropriate allocation method such as reducing balancing method or straight-line methods or other appropriate methods.

Note: In cash basis accounting followed by government of Nepal depreciation will not be calculated and charged.

2.3.1 Consumption of fixed assets 23100

The consumption of fixed assets is included to this heading.

Objective of the Audit:

- Depreciation is calculated based on the class of the assets considering their useful life.

Associated Risks:

- Useful life of the assets not periodically reviewed.

SN	Particulars - Audit considerations	Basis of checking
1	Depreciation of fixed assets (23110): This includes depreciation of fixed assets (property plant and equipment) owned by the government where government has decided to depreciate over their useful life. Auditor needs to verify whether: <ul style="list-style-type: none"> The assets that are to be depreciated have been identified; The method is depreciation applied is in accordance with the government financial reporting policy; Estimated useful life of the fixed asset is reviewed at the end of each reporting period to ensure that it represents approximate actual useful life; and Computation of depreciation is done appropriately so that the charge of depreciation is done correctly. 	<ul style="list-style-type: none"> Useful life estimation – for computing depreciation <ul style="list-style-type: none"> Annual review of useful life Class of assets Asset component-wise depreciation

2.4 Interest service fee and bank commission 24000

Government borrows money to manage its fiscal position to meet its expenditure obligations. Finance cost (interest) has to be paid for the borrowing taken by the governments. Furthermore, while taking in borrowing government may have to pay charges and fees to the central bank, financing agencies and other banks and financial institution for the services rendered in collecting and managing the borrowings.

Government also pays banks and financial institutions commission and fees for conducting transaction on behalf of the government.

2.4.1 To non-resident 24100

This includes interest, charges and commission related with the foreign loans and borrowings.

Objective of the Audit:

- Correct interest has been paid on time to the lenders.

Associated Risks:

- Delayed payments and incorrect computation of interest resulting in loss to the government

SN	Particulars - Audit considerations	Observation
1	<p>Interest on foreign borrowing (24111): This includes the interest and service fee payment on the foreign borrowing taken by the government: The auditor needs to verify whether:</p> <ul style="list-style-type: none">• Appropriate legislative requirement and decisions for borrowing have been in place for the borrowing that the interests and charges are legally authorised and approved;• Borrowing is properly documented with information on the terms of repayment including payment of finance costs (interest) or other service charges;• The currency, interest and other payments of the borrowing are documented;• The calculation of the interest and service fees related with the borrowing are correctly calculated under the terms of the borrowing;• Interests and other fees have been timely paid to avoid penalty and additional costs; and• The borrowings and dues have been confirmed and reconciled with the lender.	<ul style="list-style-type: none">• Loan documentation• Agreed Rates and charges• Computation<ul style="list-style-type: none">○ Foreign exchange gain or losses (if applicable)○ Accuracy• Confirmation from the payee

2.4.2 To resident other than general government 24200

This includes interest, charges and commission related with the domestic loans and borrowings.

Objective of the Audit:

- Correct interest has been paid on time to the lenders.

Associated Risks:

- Delayed payments and incorrect computation of interest resulting in loss to the government

SN	Particulars - Audit considerations	Basis of checking
1	Interest on domestic loans (24211): This includes finance cost (interest) on domestic borrowings (loans) taken by the government. Auditor needs to verify whether; <ul style="list-style-type: none"> • Appropriate legislative requirement and decisions are in place for the borrowings that the interests is legally authorised and approved; • The terms of repayment including payment of finance costs (interest) are properly documented; • The calculation of the interest on the borrowing are correctly calculated under the terms of the borrowing; and • Interests have been timely paid to avoid penalty and additional costs; 	<ul style="list-style-type: none"> • Loan documentation • Agreed Rates and charges • Computation of interest for Accuracy • Confirmation from the payee
2	Service fee and commission – domestic loans (24212): This includes the service fees and commission to the central bank and BFIs while availing the managing borrowing received by the government. This heading also includes commission and fees paid to the commercial banks for undertaking transactions on behalf of the government. The auditor needs to verify whether: <ul style="list-style-type: none"> • The service fees and commissions are within the terms of the borrowing transactions; • The commission and service fee calculations are correctly done; • The commission and fees for government transaction undertaken by commercial banks have been charged as per the government's agreement with the banks; • The reconciliation is done periodically for the number of transactions, volume of funds transacted, and commission and service fee charged. 	<ul style="list-style-type: none"> • Charges (fees and commission) are agreed in loan documentation
3	Service fee and commission on loans from Banks and Financial Institutions (24213): This includes service fee, commission and interest on borrowing taken by government from banks and financial institutions and others not included elsewhere. The auditor needs to verify whether: <ul style="list-style-type: none"> • Appropriate legislative requirement and decisions are in place for the borrowings that the interests service fees and commissions are legally authorised and approved; • The terms of repayment including payment of finance costs (interest), commission and service fees are properly documented; 	<ul style="list-style-type: none"> • Charges (fees and commission) are agreed in loan documentation

SN	Particulars - Audit considerations	Basis of checking
	<ul style="list-style-type: none"> The calculation of the interest, commission and service fees related with the borrowing are correctly calculated under the terms of the borrowing; and Interests, commissions and service fees have been timely paid to avoid penalty and additional costs; 	

2.4.3 To other general government units 24300

Interest paid on the loan received from other levels of the governments are included under this heading.

Objective of the Audit:

- Correct interest has been paid on time to the lenders.

Associated Risks:

- Delayed payments and incorrect computation of interest resulting in loss to the government

SN	Particulars - Audit considerations	Basis of checking
1	Interest on borrowing from other level of governments (24311): This includes interest on the borrowing (loan) received from other level of government. Auditor needs to verify whether: <ul style="list-style-type: none"> Appropriate legislative requirement and decisions are in place for the borrowings that the interests is legally authorised and approved; The terms of repayment including payment of finance costs (interest) are properly documented; The calculation of the interest on the borrowing are correctly calculated under the terms of the borrowing; and Interests have been timely paid to avoid penalty and additional costs; 	<ul style="list-style-type: none"> Loan documentation Agreed Rates and charges Computation of interest for Accuracy Confirmation from the payee
2	Fee & commission on borrowing from other levels of government (24312): This includes fees and commission on borrowing received from other level of government. Auditor needs to verify whether: <ul style="list-style-type: none"> The service fees and commissions are within the terms of the borrowing transactions; and The commission and service fee calculations are correctly done. 	<ul style="list-style-type: none"> Charges (fees and commission) are agreed in loan documentation

2.5 Subsidies 25000

Government provides subsidies to public and private institutions.

Subsidy is provided so that public institution so that they can provide goods and services to general public for free or for charges less than the market price.

Government provides subsidies to private sector for the purpose of upliftment of the national economy or so that the private sector can provide goods and service to general public at subsidised rates.

Government also provide subsidy for social causes such as for education health, culture, religion and other similar social causes.

2.5.1 To public corporations 25100

This includes subsidies given to public enterprises.

Objective of the Audit:

- Subsidy is given with adequate approval and by competent authority.

Associated Risks:

- Subsidy is given without proper authority and subsidy is not properly monitored to justify its payments.

SN	Particulars - Audit considerations	Basis of checking
1	Subsidies to public corporations – current (25111) and (25121): These include subsidy of <u>current</u> nature to public corporation (non-financial and financial) where the government may have full or partial ownership. Auditor needs to verify whether: <ul style="list-style-type: none"> • Subsidy has been provided for and approved in the budgetary allocations; • The criteria of payment of subsidy has been met that is the recipient meets the requirements; • The instalments of subsidies (where conditional) are paid only when the conditions have been met; • There is monitoring and evaluation system is in place to ensure that the subsidy has been utilised for the intended objectives and meets to outcome; • Subsidy is for the payments and expenditure of current nature. 	<ul style="list-style-type: none"> • Budget approval • Subsidy decision document • Monitoring of subsidy used out of public fund
2	Subsidies to public corporations – capital (25112) and (25122): These include subsidy of <u>capital</u> nature to public corporation (non-financial or financial) where the government may have full or partial ownership. Auditor needs to verify whether: <ul style="list-style-type: none"> • Subsidy has been provided for and approved in the budgetary allocations; • The criteria of payment of subsidy has been met that is the recipient meets the requirements; • The instalments of subsidies (where conditional) are paid only when the conditions have been met; 	<ul style="list-style-type: none"> • Budget approval • Subsidy decision document • Monitoring of subsidy used out of public fund

SN	Particulars - Audit considerations	Basis of checking
	<ul style="list-style-type: none"> There is monitoring and evaluation system is in place to ensure that the subsidy has been utilised for the intended objectives and meets to outcome; and Subsidy is for the payments and expenditure of capital nature so that the subsidy amount is not misused for application to current expenditure. 	

2.5.2 To private enterprises 25200

This includes subsidies given to private enterprises.

Objective of the Audit:

- Subsidy is given with adequate approval and by competent authority.

Associated Risks:

- Subsidy is given without proper authority and subsidy is not properly monitored to justify its payments.

SN	Particulars - Audit considerations	Basis of checking
1	Subsidies to private enterprise – current (25211) and (25221): These include subsidy of <u>current</u> nature to private enterprise (non-financial or financial). Auditor needs to verify whether: <ul style="list-style-type: none"> Subsidy have been provided for and approved in the budgetary allocations; The criteria of payment of subsidy has been met that is the recipient meets the requirements; The instalments of subsidies (where conditional) are paid only when the conditions have been met; There is monitoring and evaluation system is in place to ensure that the subsidy has been utilised for the intended objectives and meets to outcome; Subsidy is for the payments and expenditure of current nature. 	<ul style="list-style-type: none"> Budget approval Subsidy decision document Monitoring of subsidy used out of public fund
2	Subsidies to private enterprises – capital (25212) and (25222): These include subsidy of <u>capital</u> nature to private enterprises (non-financial or financial). Auditor needs to verify whether: <ul style="list-style-type: none"> Subsidy have been provided for and approved in the budgetary allocations; The criteria of payment of subsidy has been met that is the recipient meets the requirements; The instalments of subsidies (where conditional) are paid only when the conditions have been met; 	<ul style="list-style-type: none"> Budget approval Subsidy decision document Monitoring of subsidy used out of public fund

SN	Particulars - Audit considerations	Basis of checking
	<ul style="list-style-type: none"> There is monitoring and evaluation system is in place to ensure that the subsidy has been utilised for the intended objectives and meets to outcome; and Subsidy is for the payments and expenditure of capital nature so that the subsidy amount is not misused for application to current expenditure. 	

2.5.3 To other sectors 25300

Other subsidies other than those given to the public enterprises and private enterprises are included under this heading.

Objective of the Audit:

- Subsidy is given with adequate approval and by competent authority.

Associated Risks:

- Subsidy is given without proper authority and subsidy is not properly monitored to justify its payments.

SN	Particulars - Audit considerations	Basis of checking
1	<p>Subsidies to educational institutions (25311), Subsidies to health institution (25312), Subsidies to user committees and NGOs (25313), Subsidies to religious and cultural institutions (25314), Other subsidies (25315): These include government subsidies to various social institutions and subsidies not classified elsewhere. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> Subsidy have been provided for and approved in the budgetary allocations; The criteria of payment of subsidy has been met that is the recipient meets the requirements; The instalments of subsidies (where conditional) are paid only when the conditions have been met; and There is monitoring and evaluation system is in place to ensure that the subsidy has been utilised for the intended objectives and meets to outcome 	<ul style="list-style-type: none"> Budget approval Subsidy decision document Monitoring of subsidy used out of public fund

2.6 Grants 26000

Government provides grants as legal requirement, as per contractual agreement, as a membership condition or Suo moto.

2.6.1 To foreign governments 26100

This includes grants given by the government to foreign countries.

Objective of the Audit:

- Grants are provided under the law and give based on proper authority and decisions.

Associated Risks:

- Grants disbursed without proper decision and authority.

SN	Particulars - Audit considerations	Basis of checking
1	Grant to foreign governments – current (26111) and capital (26112): This includes government's grant to foreign countries. The auditor needs to verify whether: <ul style="list-style-type: none"> • Such grants have been decided based on the provisions of the law of the land; • Due process has been followed in deciding for such grants; and • The amount of grant disbursed and the decision for such grants reconciles. 	<ul style="list-style-type: none"> • Budget approval • Grant decision document

2.6.2 To international organisations 26200

This includes grants support provided by the government to international organisation or institutions.

Objective of the Audit:

- Grants are provided under the law and give based on proper authority and decisions.

Associated Risks:

- Grants disbursed without proper decision and authority.

SN	Particulars - Audit considerations	Basis of checking
1	Membership fees and grants to international organisations and support (26211): This includes renewal fee or membership fee that government pays to international organisation and donation, subsidy and support to other countries. The auditor needs to verify whether; <ul style="list-style-type: none"> • The membership payments are in conformity with the international organisations' requirements and government's decisions; • Due process has been followed in deciding for these payments grants; and • Whether such payments are provided for within the approved budget; 	<ul style="list-style-type: none"> • Budget approval • Decision to make such grant and membership payments • From government programme or appropriate decision

SN	Particulars - Audit considerations	Basis of checking
2	Capital grants to international organisations (26212): This includes government's grant to international organisations for capital creation. The auditor needs to verify whether: <ul style="list-style-type: none"> Such grants have been decided based on the provisions of the law of the land; Due process has been followed in deciding for such grants; and The amount of grant disbursed and the decision for such grants reconciles. 	<ul style="list-style-type: none"> Budget approval Decision to make such grant From government programme or appropriate decision

2.6.3 To other general government units 26300

This includes grants given to the other levels of the governments.

Objective of the Audit:

- Grants are provided under the law and give based on proper authority and decisions.

Associated Risks:

- Grants disbursed without proper decision and authority and conditional grants not monitored.

SN	Particulars – Audit considerations	Basis of checking
1	Equalisation grants (26331): This include grants given to other level of governments to fill in the gap between the expenditure need or possibility and the available resources of those governments. Auditor needs to verify whether: <ul style="list-style-type: none"> The equalisation grant amount is determined by NNRFC and is under the law⁷; Timely disbursement of equalisation grant to the other levels of the governments (provinces and local level) so that they can meet their expenditure requirements; and There is the confirmation and reconciliation between what is paid and what is received between different levels of governments. 	<ul style="list-style-type: none"> Constitutional provisions Inter-governmental Fiscal Arrangement laws Recommendations from NNRFC Decision by competent authority
2	Conditional Grants (26332): This include grants to the other level of governments for specific purpose where work and condition are explicitly specified. Auditor needs to verify whether: <ul style="list-style-type: none"> The conditional grants are granted to other levels of governments to implement the specified government plans on the basis determined by NNRFC and is under the law⁸; 	<ul style="list-style-type: none"> Constitutional provisions Inter-governmental Fiscal Arrangement laws Recommendations from NNRFC Decision by competent authority

⁷ Sec 8 Intergovernmental Fiscal Arrangement Act 2074

⁸ Sec 9 Intergovernmental Fiscal Arrangement Act 2074

SN	Particulars – Audit considerations	Basis of checking
	<ul style="list-style-type: none"> • The conditions are made known to the other governments at the time of disbursements; • There is a system to monitor and evaluate the fulfilment of the conditions of the grant; • Amount of grant not spent for the intended purpose or in intended manner is received back by the grantor; • Timely disbursement of the grant so that the works and programmes can be implemented as planned; and • There is the confirmation and reconciliation between what is paid and what is received between different levels of governments. 	
3	<p>Special Grants (26333): This include grants by one level of government to another for special work or purpose as specifically mentioning the reason for performance of such special work. The auditor needs to verify whether:</p> <ul style="list-style-type: none"> • The special grants are granted to other levels of governments to implement the specified plans or programme of the other level of government; • There is implementation procedures and guidelines that are to be followed in implementation of such specific plan or programme⁹. • The requirements and procedure guidelines are made known to the other governments at the time of disbursements; • There is a system to monitor and evaluate the fulfilment of the requirements of the grant; • Amount of grant not spent for the intended purpose or in intended manner is received back by the grantor; • Timely disbursement of the grant so that the works and programmes can be implemented as planned; and • There is the confirmation and reconciliation between what is paid and what is received between different levels of governments. 	<ul style="list-style-type: none"> • Constitutional provisions • Inter-governmental Fiscal Arrangement laws • Recommendations from NNRFC • Decision by competent authority
4	<p>Supplementary Grants (26334): This include supplementary grant by one level of government to another. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> • The grant is given to the other government for the infrastructure development; • Feasibility of the infrastructure, associated cost, estimated benefits to be derived, capacity to develop such infrastructure and its necessity are assessed and documented¹⁰; • There is implementation procedures and guidelines that are to be followed in implementation of such specific plan or programme; 	<ul style="list-style-type: none"> • Constitutional provisions • Inter-governmental Fiscal Arrangement laws • Recommendations from NNRFC • Decision by competent authority

⁹ Sec 10 Intergovernmental Fiscal Arrangement Act 2074

¹⁰ Sec 9 Intergovernmental Fiscal Arrangement Act 2074

SN	Particulars – Audit considerations	Basis of checking
	<ul style="list-style-type: none"> Amount of grant not spent for the intended purpose or in intended manner is received back by the grantor; Timely disbursement of the grant so that the works and programmes can be implemented as planned; and There is the confirmation and reconciliation between what is paid and what is received between different levels of governments. 	
5	<p>Other Grants (26335): This include other grants from one level of government to another not classified elsewhere. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> The grant meets the legal requirements; Amount of grant not spent for the intended purpose; Timely disbursement of the grant so that the works and programmes can be implemented as planned; and There is the confirmation and reconciliation between what is paid and what is received between different levels of governments. 	<ul style="list-style-type: none"> Constitutional provisions Inter-governmental Fiscal Arrangement laws Recommendations from NNRFC Decision by competent authority

2.6.4 Social benefit grants 26400

This heading includes grants to the government entities like committees, boards for the purpose of recurrent expenditure. This also includes contributions to international organisations in the form of support, donation including membership and renewal fees.

Objective of the Audit:

- Grants are provided under the law and give based on proper authority and decisions.

Associated Risks:

- Grants disbursed without proper decision and authority and conditional grants not monitored.

SN	Particulars - Audit considerations	Basis of checking
1	<p>Unconditional Grants to government extra budgetary agencies such as Committees, Boards - current and capital (26411 and 26421): These include unconditional grants to the committee, board etc. (also sometime known as extra budgetary entity). Auditor needs to verify whether:</p> <ul style="list-style-type: none"> Unconditional grant is provided for in the approved budget; The disbursement of the unconditional grant is done on timely basis; and There is reconciliation between the grant disbursed by the government and grant received by the extra budgetary entity. 	<ul style="list-style-type: none"> Budget document Decision by competent authority Grant Agreement

SN	Particulars - Audit considerations	Basis of checking
2	<p>Conditional Grants to government extra budgetary agencies such as Committees, Boards - current and capital (26412 and 26422): These include conditional grants to the committee, board etc. (also sometime known as extra budgetary entity). Auditor needs to verify whether:</p> <ul style="list-style-type: none"> • Conditional grants are provided for in the approved budget; • Conditions related with the grants are communicated prior to the disbursement of the conditional grants; • There is a system to monitor and evaluate the fulfilment of the conditions of the grant; • Amount of grant not spent for the intended purpose or in intended manner is received back by the government; • The disbursement of the unconditional grant is done on timely basis; and • There is reconciliation between the grant disbursed by the government and grant received by the extra budgetary entity. 	<ul style="list-style-type: none"> • Budget document • Decision by competent authority • Grant Agreement
3	<p>Conditional Grants to other institutions - current and capital (26413 and 26423): These include conditional grants to other institution for natural disaster relief, social, religious and cultural services, financial support, prizes and incentives and grants not elsewhere categorised. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> • These conditional grants are provided for in the approved budget; • Conditions related with the grants are communicated prior to the disbursement of the conditional grants; • There is a system to monitor and evaluate the fulfilment of the conditions of the grant; • Amount of grant not spent for the intended purpose or in intended manner is received back by the government; • The disbursement of the unconditional grant is done on timely basis; and • There is reconciliation between the grant disbursed by the government and grant received by the extra budgetary entity. 	<ul style="list-style-type: none"> • Budget document • Decision by competent authority • Grant Agreement

2.7 Social benefits 27000

Governments make social benefits payments in the form of cash or in kind. The various kinds of social benefits include payments to specific citizens for their social security. Governments also make payments for designated social groups as social support. And governments make payments for and on behalf of retired employee and office bearers.

2.7.1 Social security benefits 27100

Social security arrangement by the government to the designated citizens either in cash or in kind are included under this heading

Objective of the Audit:

- Social benefits and assistance are paid with proper authority, considering equity and justifying the purpose.

Associated Risks:

- Benefits not adequately approved and not reaching the intended beneficiaries.

SN	Particulars - Audit considerations	Basis of checking
1	<p>Social security (27111): This includes payments to (a) senior citizens, disabled, widow, and whoever the government has assumed take liability as financial subsidy or grant (b) food for sick patients and (c) food, clothing and other payments of the prisoners. The auditor needs to verify whether:</p> <ul style="list-style-type: none"> • The amounts have been explicitly provided for in the authorised budget for the stated purposes; • There is a system in place to identify and verify the genuineness of the recipients, • Payment to and eligibility of the recipients have been adequately documented and supported by appropriate evidences; • Payments have been approved by the appropriate authority and are within the given rates, limits or ceilings; • Amounts are paid into the bank account of the beneficiaries (to the extent possible); and • Food and clothing procurements have been in accordance with the procurement laws and regulations. <ul style="list-style-type: none"> ○ For Procurement act and regulation (<i>Refer Procurement audit guide</i>) 	<ul style="list-style-type: none"> • List of beneficiaries maintained • Reconciliation of social security payments • Social Security Payment Directives • Justification for non-payment through bank • Advance account tracking • Store controls for food and clothing <ul style="list-style-type: none"> ○ 401 – Requisition ○ 402 - Purchase order ○ 403 – Good Receipt Note ○ 404 – Issue ○ 405 – Returns ○ 411 Physical verification
2	<p>Other social security (27112): This includes (a) medical treatment support / subsidy to national personalities and general public and (b) economic/financial support or relief to victims. The auditor needs to verify whether:</p> <ul style="list-style-type: none"> • Whether such amount is provided for in the approved budget; • Whether decision by appropriate authority is in place to make such payments; • There is documentation to support the genuineness of the recipients; • Payments have been approved by the appropriate authority and are within the given rates, limits or ceilings; and 	<ul style="list-style-type: none"> • Budget document • Approval by component authority • Eligibility and support documents for the payments

SN	Particulars - Audit considerations	Basis of checking
	<ul style="list-style-type: none"> Amounts are paid into the bank account of the beneficiaries (to the extent possible). 	

2.7.2 Social assistance benefits 27200

Social supports given by the government to the targeted groups are included under this heading.

Objective of the Audit:

- Social benefits and assistance are paid with proper authority, considering equity and justifying the purpose.

Associated Risks:

- Benefits not adequately approved and not reaching the intended beneficiaries.

SN	Particulars - Audit considerations	Basis of checking
1	Scholarship (27211): This includes scholarships for students in schools, colleges, universities and other educational institutions in the form of cash or in kind and also includes scholarship provided to the government employees for education pursuance. Auditor needs to verify whether: <ul style="list-style-type: none"> The scholarship has been authorised in the approved budget; The selection process for scholarship recipient is fair, just and inclusive in accordance with the applicable laws; Scholarships are paid to the educational institution directly and if to be paid to the scholars to their bank accounts; and All payments (cash or kind) are approved by appropriate authority. 	<ul style="list-style-type: none"> Budget document Payment evidence Approval by competent authority
2	Rescue, relief, resettlement (27212): This includes relief and/or compensations given to any individual or entity on account of disaster or similar circumstances. Auditor needs to verify whether: <ul style="list-style-type: none"> The amount is paid from the approved and authorised budget; There is adequate approval from appropriate level for such payment; Amount of the payment is in accordance with the approval decision; There is adequate documentation to indicate genuineness for eligibility to receive such payments; and All payments are made directly to the beneficiary, wherever possible, into the bank accounts. 	<ul style="list-style-type: none"> Budget document Payment evidence Approval by competent authority
3	Medicine purchase (27213): This includes medicines and medical items purchased for free distribution from hospitals,	<ul style="list-style-type: none"> Budget document Payment evidence

SN	Particulars - Audit considerations	Basis of checking
	<p>primary health centres, ayurvedic clinics and also include the carriage costs of those goods. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> Such purchases are made from the approved and authorised budget; Procurement Act and Rules have been adhered to while making such procurements; <ul style="list-style-type: none"> For Procurement act and regulation (<i>Refer Procurement audit guide</i>) All medicines and items are marked 'distribution for free' and 'Not for Sale'. Medicines being sensitive item, quality including the expiry period is considered while storing and distributing; Excess storage is avoided, and reorder level determined to ensure that the medicines and medical items are not over stored and are readily available; and OAGN forms 400 series are used to control over the inventory of these items. 	<ul style="list-style-type: none"> Approval by competent authority Procurement contracts other procurement related documents Store controls for food and clothing <ul style="list-style-type: none"> 401 – Requisition 402 - Purchase order 403 – Good Receipt Note 404 – Issue 405 – Returns 411 Physical verification
4	<p>Other social subsidy (27219): This includes any economic / social award or support from the government. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> The amount is paid from the approved and authorised budget; There is adequate approval from appropriate level for such payment; Amount of the payment is in accordance with approval decision; There is adequate documentation to indicate genuineness for eligibility to receive such payments; and All payments are made directly to the beneficiary, wherever possible, into the bank accounts. 	<ul style="list-style-type: none"> Budget approval Subsidy decision document Monitoring of subsidy used out of public fund Approval by competent authority

2.7.3 Employment related social benefits 27300

Benefit payments made to the retired employees and office bearers are included under this heading.

Objective of the Audit:

- Social benefits and assistance are paid with proper authority, considering equity and justifying the purpose.

Associated Risks:

- Benefits not adequately approved and not reaching the intended beneficiaries.

SN	Particulars - Audit considerations	Basis of checking
1	<p>Pension expense and disability support (27311): This includes pension and disable benefits payment by the government to its retired employees and office bearers. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> • Pension and disability support is calculated as per the service conditions of the retired employees and office bearers; • The payments are made directly into the bank account; • Appropriate approval is obtained from the relevant offices for pension expense and disability support; • There is system of verification to ensure that payments are not made to the deceased person's account; • Appropriate tax withholding is made in accordance with the income tax laws; and • Increments have been provided and paid as per the budget decisions and allocations. 	<ul style="list-style-type: none"> • List of pension beneficiaries • Payment reconciliation • Verification evidence of living pensioners
2	<p>Gratuity (27312): This includes gratuity paid by the government to its retired employees and office bearers. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> • Gratuity is calculated as per the government service rules and regulations (i.e. period of service and last drawn salary and scale); • Appropriate approval is obtained from the relevant offices for gratuity; • Gratuity is directly paid into the bank account of the retiring employee; and • Appropriate tax withholding is made in accordance with the income tax laws. 	<ul style="list-style-type: none"> • Reconciled with Personnel Records (e.g. from DoCPR) • Computation sheet • Payment confirmation
3	<p>Accumulated leave on retirement (27313) and Medical benefits on retirement (27314): These include accumulated leave and medical benefits paid by the government to its retired employees and office bearers on retirement. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> • Accumulated leave and medical benefits payments on retirement are calculated as per the government service rules and regulations; • Appropriate approval is obtained from the relevant offices for accumulated leave and medical benefit on retirement; • The payments are directly paid into the bank account of the retiring employee; and • Appropriate tax withholding is made in accordance with the income tax laws. 	<ul style="list-style-type: none"> • Reconciled with Personnel Records (e.g. from DoCPR) • Computation sheet • Payment confirmation
4	<p>Benefit and support on account of deceased employee (27315): This includes payment for benefit and support on account of the deceased employee and payments provided to the family of the employee including additional support given by the governments for the deceased employee. Auditor need to verify whether:</p> <ul style="list-style-type: none"> • The amount is paid from the approved and authorised budget; 	<ul style="list-style-type: none"> • Confirmation of the beneficiary of deceased employee documented • Limit and amount reconciled

SN	Particulars - Audit considerations	Basis of checking
	<ul style="list-style-type: none"> There is adequate approval from appropriate level for such payment; Amount of the payment is in accordance with the prevalent staff benefit rules and as per approved decision; There is adequate documentation to indicate genuineness for eligibility (family of the deceased employee) to receive such payments; and All payments are made directly to the beneficiary, wherever possible, into the bank accounts. 	
7	Withholding taxes (Employment related social benefits 27300): Auditor need to verify whether: <ul style="list-style-type: none"> Withholding tax requirements for applicable payments adhered to; and Withholding has been deducted, short deducted or not paid or paid with delay into the stipulated revenue account. 	<ul style="list-style-type: none"> Computation of WHT appropriate rates under the IT Act Tax payment (payment receipts)

2.8 Other expenses 28000

Government rent fixed properties and hire vehicles and equipment. Government on many occasions have to refund amount received by it under the law or as per the judicial decisions.

Further since the budget is the process of estimation of future expenses all future circumstances may not be identified in the budgetary process therefore some contingencies have to be provided for.

2.8.1 Asset related expense other than interest 28100

Asset related expenses other than interest are included under this heading.

Objective of the Audit:

- Other expenses are provided for in the budget and meets the legal payment requirements and justifies the purpose.

Associated Risks:

- Ineligible expenses may be paid, and expenses paid without justification.

SN	Particulars - Audit considerations	Basis of checking
1	Land rent (28141): This includes rent paid to the owners of the land used for government's purpose including compensation for loss of crops. Auditor needs to verify whether: <ul style="list-style-type: none"> Rent is taken to meet the purpose of the office; Rent is within the approved budget limit; Rate of rent is determined by 'Rent determination committee' to ensure reasonableness of rent paid considering the market rate; 	<ul style="list-style-type: none"> Justification for rent Rental agreement Approval by competent authority

SN	Particulars - Audit considerations	Basis of checking
	<ul style="list-style-type: none"> The compensation for loss of crop is reasonable and is calculated as per the government standard and norms; Rent is being paid where similar (or appropriate) government land is available; There is contractual agreement for payment of rent; and Only required land within the objective of the government is taken. 	
2	<p>Building rent (28142): This includes rent paid to the owner of the building used as government office, government go-downs (store) or building or flats provided as residences for government officials. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> Rent is taken for office, government go-down or for residence of the government official (where eligible) There is available budget for the rental; Rate of rent is determined by 'Rent determination committee' to ensure reasonableness of rent paid considering the market rate; Rent cost is provided for in the approved budget; Personal (nonofficial) payment is made under this heading; Rent is paid while similar government premises are available; and There is contractual agreement for payment of rent. 	<ul style="list-style-type: none"> Justification for rent Rent committee decision Rental agreement Approval by competent authority
3	<p>Vehicle, machinery & equipment rent (28143): This includes rent paid for renting vehicle, machinery & equipment for government's purpose. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> Rent is for the governments purpose, objectives and approved activities; There is available budget for the rental; Rented vehicles machinery & equipment are not available with the office to necessitate the requirement to rent; Technical requirements are considered for renting machinery and equipment as per the government's need; Rate of rent is determined by 'Rent determination committee' to ensure reasonableness of rent paid considering the market rate; Rent is taken for personal (nonofficial) purpose; If the rent pertains to public construction works, then such rent should be included along with the capital expenditure; and There is contractual agreement for payment of rent. 	<ul style="list-style-type: none"> Justification for rent Rental agreement Budget Annual Programme Approval by competent authority
4	<p>Other rent (28149): This includes rent paid by the government other than those classified elsewhere. Auditor needs to verify whether:</p> <ul style="list-style-type: none"> The rent is required for the government activity and is within the office's objective There is available budget for the rental; Appropriate there is appropriate decision and authority to make the rental expense; and Rent is taken for personal (nonofficial) purpose; 	<ul style="list-style-type: none"> Justification for rent Rental agreement Budget Annual Programme Approval by competent authority

SN	Particulars - Audit considerations	Basis of checking
	<ul style="list-style-type: none"> There is contractual agreement for payment of rent. 	
7	Withholding taxes (Property and other expenses (Rent) 28100): Auditor need to verify whether: <ul style="list-style-type: none"> Withholding tax requirements for applicable payments adhered to; and Withholding has been deducted, short deducted or not paid or paid with delay into the stipulated revenue account. 	<ul style="list-style-type: none"> Computation of WHT appropriate rates under the IT Act Tax payment (payment receipts)

2.8.2 Transfers not elsewhere classified (Government returns) 28200

All refund to be made by the government are included under this heading.

Objective of the Audit:

- Payments where the government is obligated to make payments have been done with proper authority and documentation.

Associated Risks:

- Obligations under the law not being complied.

SN	Particulars - Audit considerations	Basis of checking
1	Revenue refunds (28211): This includes refund payment that the government has to make on account of custom, taxes (VAT and income tax), excise, land revenue, fines and penalties and other revenue refunds under the prevalent laws including the amount paid for revenue breaks. Auditor needs to verify whether: <ul style="list-style-type: none"> Refunds under the provisions of the law are correctly calculated; Refunds are timely made so that interest costs liability is not accrue to the government; and Payment is made to the designated beneficiary. 	<ul style="list-style-type: none"> Specifically provided in the relevant laws Approval by competent authority
2	Legal refunds (28212): This includes amounts that the government has to pay / repay as a result of judicial decision (order). Auditor needs to verify whether: <ul style="list-style-type: none"> Judicial decision (order) is documented for the payment; Payment is made to the beneficiary as per the decision /order; and Payments are made within stipulated time period to avoid further obligation on the government. 	<ul style="list-style-type: none"> Court / legal decision Approval by competent authority
3	Other refunds (28219): This includes refunds that the government has to pay / repay not categorised elsewhere including the foreign refunds. Auditor needs to verify whether: <ul style="list-style-type: none"> Refund are the obligations of the government; The payments are approved and authorized; and The payment is made to the designated beneficiary with appropriate audit trail. 	<ul style="list-style-type: none"> Decision document Approval by competent authority

2.8.3 Contingencies (recurrent) 28900

This heading is used to provide for the lump sum budget under recurrent expenditure.

Objective of the Audit:

- Expenditures not explicitly provided for is being incurred judiciously.

Associated Risks:

- Contingencies expenditure not paid with justification of purpose and not adequately authorised

SN	Particulars - Audit considerations	Basis of checking
1	Contingent expenses (28911): This includes recurrent expenses which during the determination of the budget could not be envisaged, estimated or provided for due to lack of basis or lack of adequate information. Auditor needs to verify whether: <ul style="list-style-type: none">• This account head is used for budget preparation only;• Expenses / payments have been done from the appropriate expense heading after transfer of amount to the particular expense heading;• There is control system to avoid using this heading for expense authorization, disbursement and charging expense.	<ul style="list-style-type: none">• Budget document• Transfers from contingency made under authorisation of the competent authority

Annexure

Annex A: GFS Classification codes and GoN Chart of Accounts structure

Shaded rows in the table below have been considered in this administrative expenses audit directives

11000	Taxes
11100	Taxes on income, profit and capital gains
11200	Taxes on payroll and workforce
11300	Taxes on property
11400	Taxes on goods and services
11500	Taxes on international trade and services
11600	Other Taxes
12000	-
13000	Grants
13100	From foreign governments
13100	From international organisations
13300	From other general government units
14000	Other revenue
14100	Property income
14200	Sale of goods and services
14300	Penalty, fines and forfeits
14400	Transfers other than grants
14500	Premiums, fees and claims related to non-life insurance and guarantees
15000	Miscellaneous revenue
15100	Miscellaneous revenue
20000	Expenses
21000	Compensation of employees
21100	Wages and salaries
21200	Employer's social contribution
22000	Use of goods and services
22100	Service charge
22200	Operation and maintenance of fixed assets
22300	Office equipment and services
22400	Service and consulting expenses
22500	Programme related expenses
22600	Monitoring, evaluation and travel expenses
22700	Miscellaneous expense
23000	Consumption of fixed capital
23100	Consumption of fixed capital
24000	Interest, service fee and bank commission
24100	To non-residents
24200	To residents other than general government
24300	To other general government units
25000	Subsidies
25100	To public corporations
25200	To private enterprises
25300	To other sectors
26000	Grants
26100	To foreign governments
26200	To international organisations
26300	To other general government units
26400	Social benefit grants
27000	Social benefits

27100	Social security benefits
27200	Social assistance benefits
27300	Employment related social benefits
28000	Other expense
28100	Property expense other than interest
28200	Transfers not elsewhere classified
28900	Contingencies
30000	Net worth and its changes
31000	Non-financial assets
31100	Fixed assets
31200	Inventory
31300	Valuables
31400	Non produced assets
31500	Other assets
32000	Financial Assets
32010	Monetary gold and Special Drawing Rights (SDRs)
32020	Currency and deposits
32030	Debt securities
32040	Loans
32050	Equity and investment fund shares
32060	Insurance, pension and standardised guarantee scheme
32070	Financial derivatives and employee stock options
32080	Other accounts receivables
32100	Domestic Financial Assets (same breakdown as above)
32200	External Financial Assets (same breakdown as above)
33000	Liabilities
33010	Special Drawing Rights (SDRs)
33020	Currency and deposits
33030	Debt securities
33040	Loans
33050	Equity and investment fund shares
33060	Insurance, pension and standardised guarantee scheme
33070	Financial derivatives and employee stock options
33080	Other accounts payables
33100	Domestic Liabilities (same breakdown as above)
33200	External Financial Liabilities (same breakdown as above)
34000	Contingent assets and liabilities
34100	Contingent assets
34200	Contingent liabilities



महालेखापरीक्षकको कार्यालय Office of the Auditor General

बबरमहल, काठमाडौं, नेपाल
Babar Mahal, Kathmandu, Nepal

नीति योजना तथा जनशक्ति विकास महानिर्देशनालय



पत्र संख्या २०७७/७८ च नं ०३

मिति २०७७/४/१६



विषय नेपाल सरकारी लेखापरीक्षण मानकको कार्यान्वयन सम्बन्धमा

नेपाल
२०१६

श्री सबै विभागहरु

श्री सबै महानिर्देशनालयहरु

श्री सबै निर्देशनालयहरु

महालेखापरीक्षकको कार्यालय ।

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

तपसिल

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

जानकारीको लागि

माननीय महालेखापरीक्षकज्यू ।

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(घनश्याम पराजुली)

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