Strategic Plan
2010 - 2012

Office of the Auditor General
Babar Mahal, Kathmandu
Nepal

Foreword

The Office of the Auditor General since its establishment in 1959 has been playing its role to enhance good governance by promoting public accountability and transparency in accordance with the constitutional provision. After People's movement in 2005, the country is proceeding towards creating a New Nepal. In this context, this organization has also to move forward by providing effective and efficient audit service in order to fulfill constitutional responsibility.

The strategic development of any organization requires a desired future and creating a plan to make that vision a reality. So the strategic plan for the period 2010 to 2012 is founded on the ground of the general vision that this office has to provide assurance to its stakeholders that the public resources are being utilized economically, efficiently and effectively and thereby significantly contribute to the benefit of the people. This strategic plan has been prepared based on the inputs gained by the office itself and various need assessments made by it. Likewise, inputs from the office of the Auditor General of Norway, and feedback received from the stakeholders.

The success of the plan lies on the effective implementation and the commitment of the organization. The Vision, Mission developed in 2005 has been revisited in the present context of governance. Additionally, Organizational Core Values have been formulated and incorporated in this plan. The Office of the Auditor General of Nepal is committed to implement this plan in order to achieve the stated Mission effectively.

I would like to express my sincere gratitude to all stakeholders who contributed by providing valuable suggestions and inputs in course of preparing this document and expect to receive continuous support and cooperation in the days to come for achieving strategic goals. I appreciate the effort of members of the core group in preparing this strategic plan and all staff of the office who provided valuable cooperation and suggestions.

The Office of the Auditor General feels happy to publish this strategic plan for the period 2010 to 2012 for the first time on the year of Golden Jubilee celebration of this office.

Bhadreshwar Prasad Upadhyay
Acting Auditor General

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1. Introduction

1.1.   **Background** - Office of the Auditor General (OAG) is the Supreme Audit Institution (SAI) of Nepal established as a constitutional body in 1959. The Interim Constitution of Nepal, 2007 and the Audit Act, 1991 has mandated Auditor General (AG) to carry out audit of the accounts of the Supreme Court, the Legislative- Parliament, Constitutional Bodies, the Nepal Army, the Nepal Police and all other Government Offices with due consideration to regularity, economy, efficiency, effectiveness and propriety of government financial operations. Similarly, audit of the corporate bodies wholly owned by the Government of Nepal is entrusted to the OAG. In case of audit of corporate bodies substantially owned by government, the AG is consulted while appointing the auditor. Besides this, other special Acts, executive decisions also provides mandate to conduct audit of different Boards, trust Universities and institutions. On the basis of the legal mandate, the OAG is conducting financial and performance audit. AG submits annual reports to the President. Such reports are deliberated in the Public Accounts Committee of Legislative - Parliament.

1.2.   **Rationale of the Strategic Plan**

1.2.1   Strategic plan is a plan of action and a scheme for achieving goals. It   focuses on the best fit between an organization and its environment and defines its overall characteristics, vision, mission and goals. Strategic planning process is a multi dimensional function and may come basically in the form of development of organizational structure, legal framework and professional development. The Interim Constitution has provided the AG to carry out the audit of revenue and expenditure of the Government. For this purpose, partial institutional and functional independence has been accorded to the AG. Various efforts have been made to improve the quality and timeliness of audit. For instance, the OAG has introduced auditing standards and guidelines to maintain uniformity, simplicity and to improve the quality of audit as compatible to the international best practices. But, improvement in auditing and reporting system is yet to be attained as desired mainly due to the absence of clear cut road map of the Office.

1.2.2   The Legislative -Parliament, Development Partners, Civil Society, Media, and Government agencies have greatly emphasized on transparency and accountability in the use of public resources. They have high expectations from the OAG in promoting accountability and transparency in the public sector and contributing to good governance by applying better audit practices. Sustainable improvement in public financial management is only possible where a high quality of audit exists. With the increased volume of budget, complexity and magnitude of government activities, ensuring transparency and accountability in financial management has become a great challenge in meeting the expectations. This has induced auditors to be updated and familiar with new technologies, legal provisions, and acquaintance with best practices as well as understand the risk associated with audit. In this context, OAG has to serve them by improving its present audit methodology, practices and professional development.

1.2.3 The Capacity Building Need Assessment (CBNA) of the OAG conducted by the IDI-ASOSAI, the study reports of the office itself, Gap analysis and PEFA Report have suggested to improve public financial management through better accounting and public auditing practices to provide greater stimulus for effective outcomes of government spending. These findings form a basis for developing a strategic plan.

1.2.4 Operational and functional Independence for the AG is required to perform duties without any interference and pursuance of autonomy to deliver audit services. For this, clear cut constitutional mandate and legal framework for the operation of the OAG is imperative. However, legal, human and financial independence and physical infrastructure were felt insufficient to exercise the constitutional mandate into day to day functions. In course of exercising the constitutional responsibility, it is felt necessary to enhance knowledge, skill and competence of its staff in order to provide quality audit service to the stakeholders in a professional manner. The realization of this need and commitment towards reforms in audit capacity, the strategic planning process has been initiated.

1.2.5 The AG of Norway has shown interest to assist OAG-Nepal in building its capacity and moving towards the professional practices equivalent to international standards. In this regard, a Memorandum of Understanding (MOU) was signed as a long term co-operation between the OAG Nepal and Norway. The overall objective of the MOU is to contribute further improvement in the capacity of OAG Nepal to carry out high quality audits, thereby promoting transparency and accountability in the management of public resources. The point of departure for the cooperation is to support the OAG Nepal in developing and implementing strategic plan and priorities. International Development Fund provided grants to support the institutional development initiatives of OAG which also suggested the need of strategic plan for effective OAG.

1.2.6 The OAG has adopted INTOSAI auditing standards. However, it is essential to review its existing audit approaches and practices in compatible with those standards so as to provide quality report in a timely manner. Thus, the need for developing and implementing a strategic roadmap for the audit institution emerged apparently.

In light of the above, the OAG has felt necessity of preparing strategic plan to drive the Supreme Audit Institution efficiently and effectively in providing better audit service to the nation.

1.3. **Objectives of the Strategic Plan -**The main objective of the strategic plan is to provide direction to the organization by creating a roadmap for the future. Following are the specific objectives which the office aims to achieve:

- · timeliness and quality audit,
- · enhance independence,
- · adequate physical infrastructure,
- · professional development,
- · audit methodology improvement, and
- · Cooperation & relationship with stakeholders.

1.4.   **Methodology -** OAG formed a team comprising five members with the responsibility of developing a strategic plan. During the preparation of this plan, the team conducted a need assessment workshop within the organization to collect primary data. Similarly, secondary data from PAC Annual Reports, IDI-ASOSAI CBNA Report, PEFA, and Gap Analysis of the World Bank were used. The team adopted following methods and procedures in preparing this document:

1.4.1   A detail CBNA of internal and external factors that influence the functioning of the OAG has been conducted. On the basis of this, Vision Mission and Core Values are revised and developed which are the foundations to move the organization ahead in a planned way.

1.4.2   CBNA followed by SWOT analysis and articulation of vision and mission, five strategic issues were identified covering eight domains of Audit Quality Management System (AQMS). To address the strategic issues, five goals and several objectives were set and such objectives were translated into programs and activities.

1.4.3   Draft strategic plan was circulated to all divisions within the office for their comments and suggestions. A two days seminar was organized with senior management to get feedback on the draft. Similarly, in-house workshop with different levels of staffs was conducted for their contribution on the draft strategic plan. The consultation meetings were held with Norwegian experts in this process.

1.4.4   A discussion was held with key stakeholders including PAC members, Secretaries from different ministries, FCGO, media and civil society for their suggestion and opinions. During that discussion, PAC constituted one committee which comprises Acting Auditor General, secretaries of MOF, MOGA, NPC, CIAA, Financial Comptroller General and chairman of ICAN to finalize the strategic plan. The committee discussed on the issues raised during the discussion in the PAC and suggested for the approval of the plan.

1.5   **Scope:** This plan covers three years period starting from January 2010 to December 2012. Some activities may be completed within the specified time whereas some may be continued to the next plan period. The plan may need to be revised   radically to reflect the changes over time. Annual operational plan will be prepared separately by each Audit Directorate which will be based on the goals   and objectives set out in this plan.

The main responsibility of executing this plan lies on the top management for appropriate direction and leadership. The responsibility of implementing plan remains on the Audit Divisions, Audit Directorates   and Committees for the special purposes. It has covered the eight domains of the AQMS such as independence and legal framework, human resources, audit methodology and standard, internal governance, corporate support, continuous improvement, external stakeholders and results. As the plan is approved, this will be incorporated in the periodic plan of the Government of Nepal and simultaneously linked to the budgetary process.

2. Situation Analysis

2.1. **Independence and Mandate -** The AG is one of the constitutional organs of Nepal and it derives its mandate from the Interim Constitution 2007, Audit Act 1991 and other related Acts. An adequate degree of independence from both the legislature and the executive branch of government is essential to the AG in order to conduct the audit and to enhance credibility of its results.

The Interim Constitution, 2007 and other related Acts have made provisions for the AG in the following ways:

Ø Appointed by the President on the recommendation of the Constitutional Council and parliamentary hearing committee
Ø Fixed tenure of six years and dismissal on the same ground applied to the Judge of the Supreme Court
Ø Terms and condition of service is determined by a separate law
Ø All time access to document and information
Ø Mandated to carry out financial/regularity and performance audit
Ø Non votable budget
Ø Full discretion to select audit issues, planning, reporting and follow up.

So far as the independence of the AG is concerned, some of the provisions are in line with the Mexico Declaration on Independence proclaimed by INTOSAI. However, the independence regarding budgetary requirements, OAG has to follow the prescribed procedure within the ceiling given by the Ministry of Finance (MOF). Regarding the independence on human resource, the AG needs to seek approval of Government of Nepal for creating number of post.

Primary function of the AG is to conduct the audit of accounts of Government Entities and report the results to the president which is deliberated in the Legislative Parliament. However, the existing mandate of OAG does not cover the audit of all entities using the public fund such as Municipalities, Village Development Committees, Public Schools, etc.

Article 123 and 124 of the Interim Constitution has stipulated functions, rights, power and duties to the AG as stated below:

Ø The accounts of the Supreme Court, the Legislature-Parliament, the Constituent Assembly, the Commission for the Investigation of Abuse of Authority, the Office of the Auditor-General, the Public Service Commission, the Election Commission, the National Human Rights Commission, the Office of the Attorney General and other offices of the Constitutional Bodies, the Nepal Army, the Armed Police or Nepal Police, and all other government offices and courts shall be audited by the Auditor-General in such manner as may be determined by law, also having regard to the regularity, economy, efficiency, effectiveness and the propriety thereof.

Ø   The Auditor-General shall be consulted in the matter of appointment of an auditor to carry out the audit of any corporate body of which the Government of Nepal owns more than fifty percent of the shares or the assets. The AG may also issue necessary directives setting forth the principles for carrying out the audit of such corporate body.

Ø   The accounts to be audited shall, subject to the laws in force, be maintained in such form as may be prescribed by the AG.

Ø   The AG shall submit to President an annual report on the works he or she has performed; and the President shall arrange to submit such report to the Legislature-Parliament. The annual report to be submitted shall include the details of bodies audited by the AG throughout the year, status of irregular amounts, attempts made to settle such irregular amounts and achievements made on the settlement of irregular amounts, and reforms to be made in the future in respect of auditing.

With regard to the scope, methods and matters to be audited, Audit Act 1991 stipulates that the AG may conduct final audit of financial transaction and other activities relating thereto, of the offices, institutions or entities under jurisdiction, either in detail or sporadically or in sample basis and present facts obtained there from, make comments thereon and present report. While conducting audit, the AG, with due regard to regularity, economy, efficiency, effectiveness and propriety, shall audit the following matters and examine whether:

(a)   The amount appropriated in the concerned heads and sub-heads of the Appropriation Act for respective task and services have been expended for the specified purposes of designated task and services within the approved limit;

(b)   The financial transactions comply with the existing laws and the evidence relating to items of income and expenditure are sufficient;

(c)   The accounts have been maintained in the prescribed forms and such accounts fairly present the position of financial transactions;

(d)   The inventory of government asset is accurate and up to date and the arrangement for protection and management of governmental property is adequate;

(e)   The arrangements for internal audit and internal control of cash, kind and other governmental property against any loss, damage and abuse are adequate and if so, are they pursued;

(f)   The accounts of revenue, all other incomes and deposits are correct and the rules relating to evaluation, realization and methods of bookkeeping are adequate and if so, are they followed;

(g)   The accounts relating to public debts, security deposit, debt relief fund and the amounts set aside for debt services and repayment of debts are accurate;

(h)   The accounts of income and expenditure of industrial and business services and their balances of cash and kind, and the arrangements and rules relating to financial transactions are adequate and if so, are they followed;

(i)   The organization, management and job allocation of the office are adequate and suitable and that are operating accordingly;

(j)   Any function is being performed unnecessarily in duplication by various employees or entity or any essential function is being omitted;

(k)   The available resources, means and assets are properly utilized and the maintenance and safeguarding thereof against any loss or damage has been suitably arranged;

(l)   The progress has been achieved within scheduled time and the quality and quantity of the work is satisfactory;

(m)   The objective and policy of the Office is explicit and the program is delineated according to the specified objective and policy;

(n)   The program is being implemented within the limits of approved cost estimate and the output in comparison to the cost is reasonable;

(o)   The arrangements for maintaining data relating to target, progress and cost are adequate and reliable;

The existing provision in the Interim Constitution, 2007 and the Audit Act,1991 stipulates to audit all the government offices compelling to cover all offices without applying sampling methods in the selection of office for audit. As per the Audit Act sampling can be used in the audit of financial transaction rather than in government offices. This provision needs to be addressed by making appropriate legislative arrangements.

The Interim Constitution mandates to audit the "accounts" of the government offices having regard to the economy, efficiency, effectiveness, regularity and propriety aspects thereof which need to be clarified in the new Constitution so as to conduct financial and performance audit separately. Due to this provision, OAG is applying above five aspects in carrying out in both the financial and performance audit.

Present legislation does not allow conducting specialized audit such as forensic audit, environment audit etc. Legislators and audited entities suggest to carry out concurrent audit in order to enable them to initiate corrective actions on audit observations.

The existing legislation empowers AG to frame Audit Rule in consultation with the Government of Nepal for the implementation of the Act; however, this has not yet exercised by the AG.

2.2.   Human Resource Development -The second amendment in the Civil Service Act 1992, the audit service has been integrated in Civil Service and staffs of the OAG have now been administered by the Civil Service Act and Regulation. The Public Service Commission recruits the staff for the OAG and other conditions of services are the same to those of the government staffs. It is needed to amend Civil Service

Act and have a separate Audit Service Regulation to administer the appointment, transfer and other conditions of service for the audit staff. However, the AG can hire the services of any expert required for the task of audit under contract with reasonable remuneration.

Currently, the OAG has, altogether, 449 approved positions. Of which, 209 are officer level and the rest are non-officer level positions. OAG is centrally located in Kathmandu. There are 29 Directorates responsible to carry out audit of Different sectors. Organizational structure of the OAG is attached in Annex 1. The following table shows the composition of different level of staff:

Post Approved and Filled (June, 2009)

Table 1

S.N.	Level	Approved Post	Post Filled
1.	Special Class	4	3
2.	Gazetted I	14	14
3.	Gazetted Class II	42	39
4	Gazetted Class II (Special)	-	10
5.	Gazetted Class III	144	110
6	Gazetted Class III (Special)	-	60
5.	Non-Gazetted Class I	150	88
6.	Non-Gazetted Class II	25	11
7.	Other Support Staffs	70	73
	Total	449	398

Most of the staffs are management graduate. Among them, 113 have completed Masters Degree and possessed training on basic computer skill. Altogether 192 staffs have an experience of more than 20 years and a large number of staffs have an experience of more than ten years. There is limited number of personnel who attended long-term international training programs. However, 86 staffs have participated in professional training for the period of four to twelve weeks. It includes significant number of training on different subject under Colombo Plan. The demography of the personnel is depicted as follows:

Status of Qualification and Experience of Audit Staffs (June, 2009)

Table 2

S. N.	Academic Qualification	Audit Experience (in Years)	Number of Staffs								Total
			DAG	AAG	DIR	DIR Special	AO	AO Special	AS	Others (AI+CO+ Typist)	
1	Master Degree	> 20	3	13	21		31	2	1		71
2	Master Degree	> 10			9		27				36
3	Master Degree	<10					3		2	1	6
4	Bachelor Degree	> 20		1	9	10	31	51			102
5	Bachelor Degree	> 10					10		25		35
6	Bachelor Degree	< 10							29	4	33
7	Proficiency Certificate	> 20						5	3		8
8	Proficiency Certificate	> 10							11		11
9	Proficiency Certificate	< 10							19	5	24
10	SLC	>20						2	3	1	6
11	Under SLC	> 20								11	11
	Total		**3**	**14**	**39**	**10**	**102**	**60**	**93**	**21**	**343**
	Training / Professional Qualification										
1	Long term International Training (More than 12 weeks)		1	**4**	6	1					12
2	International Training (More than Four weeks)		1	**7**	18	7	54				87
3	Professional Course (C A)						5				5

It is believed that qualified and competent staff only can perform assigned task in professional manner. Thus, it continuously strives to enhance the knowledge and skill of its staff. OAG has a separate training Division with the responsibility of providing in house training. The Office has formulated Human resources Development Plan in 2005. However, its full implementation is lagging behind due to the resource constraints. It has a policy to provide 18 credit hours Continuous Professional Education (CPE) to audit staff. Additionally, staffs are attending national and international training conducted by NASC, RATC, INTOSAI, ASOSAI and other SAIs.

2.3. **Infrastructure and Facilities -** The existing infrastructure such as building and support services with particular reference to office space, equipment, furniture and fixtures, library, internet, IT , transportation and communication facilities are quite inadequate for an efficient working environment. The office is located in an old palace which was built for residential purpose and not suitable for the office purpose. Detail of infrastructure and physical facilities is given in the table below:

Status of Infrastructure and facilities (June, 2009)

Table 3

S.N	Infrastructure and physical Facilities	Unit	Available Quantity	Condition		
				Good	To be repaired	To be auctioned
1	Land and Building	No.	4		4	
2	Computers (Desk top)	No.	118	63	55	
3	Lap top Computer	No.	12	11	1	
4	Printer	No.	67	32	35	
5	Photocopier	No.	5	5		
6	Scanner	No.	1	1		
7	Digital Camera	No.	4	4		
8	Video Camera	No.	1	1		
9	Multimedia Projector	No.	4	1	1	2
10	Facsimile	No.	3	3		
11	Internet Facilities	Point	50		Poor Connectivity	
12	Vehicles (Car, Jeep)	No.	24	24		
13	Staff Bus	No	1	1		
14	Motorcycle	No.	2	2		

It needs extension and upgrading of the physical facilities to smooth functioning of the Office. Besides, it should be supplemented by more infrastructure and facilities.

2.4. **Audit Management -** The AG, as per the Audit Act, 1991 has the authority to determine the scope, methodology, extent and timing of audit. Every year OAG prepares Annual Operational Plan and communicates to the Chief Accounting Officers working in the capacity of Secretaries of the Ministries. On the basis of Operational plan, concerned Directorate prepares Ministry-specific and entity level audit plan for every entity being audited in line with the specific plan to conduct audit. Most of the audit is carried out in field level. On the basis of certain criteria such as volume of transactions, and their accessibility or remoteness, districts are selected every year to carry out audit of   operational level offices under different ministry by deputing a single audit team. Such teams are given orientation regarding audit approach and methodology and set of instructions to be followed during the audit operations.

Apart from those audits accomplished by single audit teams, other audits are undertaken by the concerned audit directorate as per the audit plan approved by senior management. There is a policy and guidelines for supervision and monitoring of audit activities by supervisors. However, it requires proper implementation to ensure the compliance with policy guidelines on audit. On the completion of audit, preliminary audit report is issued to the audited entities for their responses within 35 days and a copy of the same is forwarded to the concerned Ministry, Department and DTCOs.

The concerned Directorate prepares ministry-specific draft report which is compiled to the annual report. Official of different hierarchy are involved in preparing the annual report, which is finalized by panel review.

2.4.1 The OAG developed Government Auditing Standards in 1996 for the first time and updated in 2005 based on INTOSAI Auditing Standards. The following standards and guidelines developed to carry out the audit are:

· Government Auditing Policy Standards, 2005
· Government Auditing Operational Guidelines, 2005
· Procurement Audit Guidelines, 2008
· Project Accounts Audit Guidelines, 2005
· Revenue Audit Guidelines, 2005
· Performance Audit Guide, 2000
· Administrative Expenditure Audit Guidelines, 2005
· Code of Conduct of the OAG staff, 1999
· Quality Assurance Handbook, 2009

Besides the Standard and guidelines, Office has issued following directives and circulars to administer and manage the audit:

Ø Audit Observation Classification Directives

Ø Human Resources Development Plan 2005

Ø Audit Directives to Public Sector Enterprises

Ø General Directives on Government Auditing

Ø Directives to Single Audit Team

The audit procedures and methodologies are based on above mentioned policy standards, guidelines, directives while conducting financial, and performance audit. In order to ensure the compliance of these guidelines, there is a practice of audit supervision, and Post Audit Quality Review. Moreover, a Quality Assurance Handbook developed under the assistance of IDI - ASOSAI has been adopted since August 1, 2009.

2.4.2 The OAG has carried out performance audits of various entities, projects/ programs and on some issues of national interest. The scope of such audit includes the overall organizational performance of entities, resource utilization, human resources and inventory management, program execution, target and achievement, Management information system, monitoring and evaluation, service delivery, etc. Number of performance audit conducted in five years is depicted in table 4.

2.4.3 The Segment Operational Model of OAG that describes the core operational process, resource management process, its alliances, external factors influencing its performance, major service/output is given in the figure below:

Segment Operational Model

Figure 1

External Forces
Legal Framework, Availability of Resources, Work Volume, Status of Good Governance, ooperation from legislature

Strategic Management Process

Core Operational Process

| Preparation of Annual Operational Plan | → | Allocation of work and orientation | → | Entity Level Audit Planning |

| Drafting audit report and Discussion with Management | ← | Supervision and Direction | ← | Audit Execution and follow up |

| Issuance of Audit Result | → | Preparation & Submission of Annual Report | → | Discussion in the PAC |

Resource Management
- Budget proposal and execution
- Utilisation and development of human resource
- Procurement of goods and services
- Coordination with other entities
- Maintain International relations

Sector

- AG
- Central Co-Ordination Unit
- Audit Divisions
- Audit Directorate
- Training Division
- Corporate Support
- Policy Division
- Different Committees for special Purpose

Operational Process

Alliance

- President
- Legislature
- PAC
- Donors
- ICAN
- Media
- Other SAIs
- Research Institutes
- University
- Internal Auditors
- Other Auditors

Core Product/ Service

- Attestation
- Managem ent letter
- Audit Opinion
- PA Report
- Follow up
- Approval of Accounting Format
- Consultation in appointing Auditor to SOEs
- Contribute towards the Good Governance
- Provide opinion on auditing system
- Representati on in Professional Bodies

Recipient

- Govt. Offices
- Donors
- Court
- PAC
- Nepal Army
- Nepal Police
- Armed Police
- Constit utional bodies
- DDCs
- Boards
- Commit ties
- SOEs
- Public

Office of the Auditor General

2.5. **Communicating Results -** INTOSAI Auditing Standards suggests the SAIs to prepare written audit reports communicating the results of each audit. Based on the provision in the Interim Constitution 2007, the OAG has the right and obligation to report on its work annually, which is to be tabled in the legislative-parliament. Every year AG submits annual report to the Head of the state in different volumes which includes:
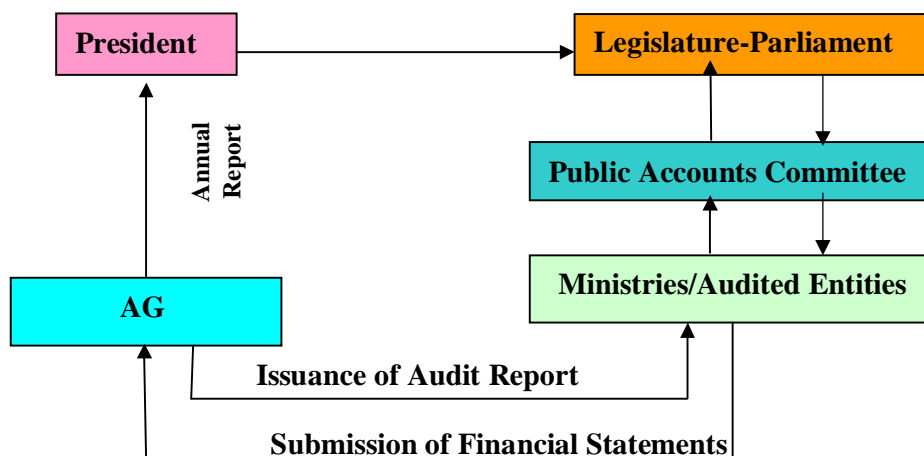
§ Executive Summary
§ Volume 1:   Government offices.
§ Volume 2:   Performance audit.
Volume 3:   Corporate bodies, Boards and others.
§ Volume 4:   District Development Committees.
§ Volume 5:   Financial statements of the government offices.

2.5.1   The concerned authority is required to take necessary action to settle irregularities within the stipulated time of 35 days after receiving the preliminary audit report. However, in practice, the timely action rarely happens even in the whole year, let alone the given time. As and when the previous years' irregularities are settled, follow up audit is being carried out throughout the year, focusing more on settlement progress in figure rather than the corrective measures.

2.5.2   Analyzing the present situation, the framework for communicating audit results has been shown in the following diagram:

Figure 2

Framework for Communicating Audit Results

Discussing on the report, the PAC issues instructions to concerned entities on matters related to audit findings for corrective actions. It is the responsibility of the concerned authorities to implement the directives of the PAC. But, due to the reluctance on timely settlement of audit observations, and   in the absence of effective monitoring mechanism in the OAG and the PAC, it seems to be difficult to have a desired impact in the financial management through audit.

2.6. **Stakeholder Relation -** Effective working relationship and communication with external stakeholders is essential to ensure impact of the audit reports. Such stakeholders are the Legislature-parliament, the MOF, FCGO and audited entities which are directly related to the audit operations. There are also other stakeholders such as, development partners, media, civil society and professional organizations who are not directly related in delivering the audit service.

The OAG also requires the strong support and close cooperation of other government bodies. Among them, the role of the MOF becomes vital, as it is the Ministry responsible for the liaison of the OAG with the government. Further, it has crucial role in the process of framing the financial or audit- related laws and allocating the resources which directly affects the performance of audit. Currently, most of the prioritized agenda for the reform activities of OAG are concerned with the MOF. Moreover, development partners such as United Nations Development Program, World Bank, Asian Development Bank etc. have been providing support to the Office for the capacity development.

OAG also represents in the council of Institute of Chartered Accountants of Nepal (ICAN), Accounting Standard Board and Auditing Standard Board of Nepal. The Office has to strengthen relationship with other organizations such as media and civil society; external development partner; research institutes; universities so as to develop professional capabilities and to disseminate the audit results. OAG is a member of International Organization of Supreme Audit Institutions and Asian Organization of Supreme Audit Institutions since 1968 and 1979 respectively. As a member organization, it participates on the congress and attends international workshop, seminar and training program organized by these institutions. OAG has also cordial relation with other SAIs.

2.7. **Performance Status -** OAG is centrally located at the capital city and deputes its staff across the country for short term audit assignments. The performance status for the last five years is shown as follows:

Table 4

(Amount in NRs. 000)

Description	Fiscal Year 2006/07	Fiscal Year 2005/06	Fiscal Year 2004/05	Fiscal Year 2003/04	Fiscal Year 2002/03
Approved Post	449	449	449	449	449
Annual Expenditure of OAG	101,476	87,366	75,530	69,436	64,335
Audited Units (No.) Government Offices, SOEs, Boards, etc.	17,339	16,164	16,029	13,200	12696
Number of Performance Audit	19	26	33	32	37
Audited amount of Government Offices, SOEs, Boards, etc.	786,482,926	748,144,745	738,719,356	652,851,156	579,231,679
Amount reported as recoverable	1,341,119	2,148,523	2,267,876	2,056,189	1,539,425
Audit Recoveries	780,712	2,585,246	1,450,998	810,858	827,792
Date of Annual Report Submitted	Nov 16, 2008	Aug 24, 2007	Dec 6, 2006	July 14, 2005	Aug 10, 2004

The approved positions of OAG have not been revised since last five years whereas work load in terms of audited entities and audited amount have been increased by 36.57 and 35.78 percent respectively during that period. So far as the submission of annual reports

concerned, Office has submitted report only after 12 to 17 months of the transaction year ended. Increased number of units being audited; non adherence with the annual operational plan of OAG; non categorization of audit issues as per the materiality while preparing reports; practice of conducting follow up audit round the year; and delay in appointing statutory auditors of SOEs; are some of the reasons for delay in submitting the annual reports.

Audit has contributed to the national revenue account which was recovered by the audited entities taking action on audit objection raised in the audit reports. Such amount ranges from 7.49 to 29.59 times of the expenditure incurred for the OAG.

3. SWOT Analysis

CBNA was conducted by IDI ASOSAI in 2007 focusing on eight domains and analyzed the situation of OAG. OAG also organized a workshop with the participation of each level of staff which contributed in identifying the more areas of improvement within OAG. Apart from the above reports, the SPT conducted SWOT analysis considering the internal and external environment of the Office which helped to form a basis for determining the strategic issues.

3.1 Strengths

The provision relating to the AG in the Constitution, to some extent, is in line with the requirement of SAI's independence as mentioned in the Mexico Declaration. Other strengths are as follows:

- The AG is a constitutional body,
- The AG is appointed by the President on the recommendation of the Constitutional Council,
- Tenure and terms and conditions of service for the AG are safeguarded by the legislation,
- Constitution and Audit Act provides mandate to carryout Financial/regularity and Performance Audit,
- All time access to documents,
- Public Accounts Committee's hearing on Annual Reports,
- Credibility and positive image of OAG,
- Development and application of Policy & Auditing Standards, Audit Guides, Code of Ethics and Quality Assurance Handbook,
- Focus on field level audit,
- Priority on Performance Audit,
- Most of the OAG staff are members of Institute of Chartered Accountants of Nepal,
- Contribution of audit are quantified through recovery,
- Compulsory provision of CPE for staff
- Realization for change,
- Committed workforce,

3.2 Weaknesses

Some of the weaknesses identified as below are related to legal provision, staff development, audit methodology, reporting practice, organization and management that need to be dealt with strategic way.

- No Strategic Direction,
- Inadequate Audit manual,
- Partial Application of Policy Standard, Code of Ethics and Operational Guidelines, quality control and assurance system,
- Inadequate capacity development initiatives for audit staff,
- Lack of multidisciplinary and limited staff with professional background
- Voluminous Annual Report and delay in submission,
- Inadequate arrangement of external peer review,
- No provision of audit of OAG from external independent auditor,
- Non expression of opinion on Financial Statements,
- Lack of conducive working environment and physical facilities,
- Non adherence of Annual Calendar of Operation ,
- Absence of risk based audit approach,
- Insufficient ICT facilities and limited use of IT application,
- Lack of service charter,
- Low motivation and morale of staff,
- Ineffective policy on Research and Development,
- Lack of specific job description,
- Insufficient training facilities and poor implementation of HRD Plan,

3.3 Opportunities

So far as the opportunity is concerned it is very much appropriate time to address the weaknesses under the legislative arrangement because, Nepal is writing its constitution in federal structure which is expected to be completed within 2010. Legal arrangement is very much important for every SAI and the external stakeholders such as PAC, Government entities, development partners are also supporting to independent public sector audit. The following are the Opportunities to be capitalized in capacity building of the OAG:

- New constitution being drafted in federal structure will help by making legislative arrangements,
- Rising expectations of the PAC, Government, public and media for timely, qualitative audit report from the OAG,
- Strong support from development partners, International organisations and other SAIs,
- Key stakeholders are in favor of making provision for new audit approaches,
- Increased demand for performance audit,
- PAC has constituted a penal to study on strengthening OAG,
- Recommendation of PAC through its reports to arrange physical facilities, improve work culture and boost up morale and motivation of the OAG staff,
- Application of ICT in audit mechanism ,
- Increased volume of budget and activities of the government demands strong oversight and proactive role from the OAG,

3.4 Threats

OAG is facing threats which includes retention of professional staff; limited incentive to excellent performer and absence of separate regulation for audit service. Likewise, non-application of Public Sector Cash Basis of Accounting System is leading to complexity in performing audit.

· All money disbursed from the public fund are not under audit purview
· Performing audit of increased volume of budget and activities with existing resources,
· Insufficient action taken by audited agencies on audit observation,
· Weak internal control system and internal audit in government operations,
· Inadequate cooperation and coordinated mindset among the major stakeholders regarding reform process,
· Lack of support for developing and retaining professional as well as qualified staff,
· Dependence on Ministry of Finance for budgetary resources,
· Impairment of independence due to absence of separate audit service regulation,
· Legal provision to cover 100 percent government offices and practice of follow up audit around the year makes delay in reporting,
· Lack of competency and resources to fulfill the increased demand of performance audit and specialized audit,
· Lack of power and authority to adjust number of staff, pay structure and well being of the staff,
· Auditee might attempt to encourage auditors to abuse code of Ethics,
· Delay in the preparation and submission of consolidated financial statement.

OAG recognizes that the present situation as mentioned above is critical in performing its constitutional responsibility. Considering the process of drafting new constitution, the OAG is optimistic to overcome the weaknesses and address the challenges ahead through its positive factors.

4. Vision, Mission and Core Values

4.1. Vision
"An independent, efficient and effective audit institution to promote good governance"

4.2. Mission
"Provide quality audit service to the nation for the efficient management of public resources

4.3   Core Values - values which guide us in achieving our Mission are as follows.

4.3.1   Independence - We draw conclusion, raise observation and form audit opinion without being affected by influences that compromise professional judgment, avoiding the situation of conflict of interest, keeping free from self-interest and intimidation and maintaining impartiality.

4.3.2   Integrity - We believe in dealing with auditees through demonstrating honesty, fairness, objectivity, truthfulness and remaining uncorrupted by self interest and not be influenced by the interest of others in performing audit.

4.3.3   Credibility - We maintain the credibility of our work through presenting unbiased views, consistent application of auditing standards and adopting international best practices, systematic approach in collection and analysis of data and information, criteria based evaluation of audit findings and adopt programs and procedures designed to ensure quality control in providing auditing service.

4.3.4   Professionalism - We believe that professional and competent workforce only can provide better audit services for which staff requires initially a standard of general education followed by specific education and training as well as continuing skill development activities.

4.3.5   Serving the Public Interest - We accept the responsibility to the public and the auditing profession; and focus our endeavor in safeguarding the public resources and contribute to the government in prudent use of public resources for the collective well being of the people and also committed to fulfill their expectations within the purview of law.

5. Strategic Issues

The CBNA conducted by the Office has identified the gaps and needs in different domain i.e. Independence and Legal framework, Human Resources, Audit Methodology, Internal Governance, Corporate Support, Continuous Improvement, External Stakeholder Relationship and Result. While considering the gaps and their causes across the domain and clustering them, few common issues have been identified. Such issues are regarded as Strategic Issues which directly affect the achievement of the Mission of the OAG. Based on the mission of the office and the inter-linkage across the gaps identified in different domains, following strategic issues have been formulated in order to improve the performance of the Office within next three years:

Strategic Issue1: *Inability to Provide Quality Audit Services*

Strategic Issue 2: *Need for the Independence and Clarification in Mandate*

Strategic Issue 3: *Lack of Competence and Professional Development*

Strategic Issue 4: *Inadequate Organizational and Management Capacity*

Strategic Issue 5: *Poor communication of Audit Result and Relationship with External Stakeholders*

6. Goals and Objectives

Strategic issues are the key factors which have collectively compelled the OAG for non-achievement of its mission. Thus, the Office should determine its strategy to address such issues. These issues are goal statements which the Office intends to achieve within the plan period. The goal statements are the mini-purpose that collectively enables the Office in the achievement of the mission which ultimately leads to the realization of vision. The Operational process or system that shows how goal statements with the help of guiding principle (Vision, Mission) and values of the Office directly contribute for the achievement of the mission is given in figure 2.

Figure 2

Operational System for Achieving the Mission of OAG

Through the goal statement, the OAG will strive to provide high quality audit service to the nation, increase the competency and improve the relationship with stakeholders in next three years.

The goal statements have been formulated from the strategic issues identified during the previous stage, which can be taken as centerpieces of this Strategic Plan. Different objectives have been determined under each goal statement that describes the way of achieving goals. Objectives are specific, measurable and result oriented that supports to narrow down the gaps identified in the strategic issue. Strategic issues, goals and objectives are correlated and linked to the vision and mission. The goals and objectives determined to support vision and mission of the Office for this plan are given as follows.

Goal 1: To provide timely and quality audit services

To fulfill the responsibility as mentioned in the constitution, OAG should provide timely and quality audit services. It depends upon the audit methodology and procedure adopted. The AQMS designed by the OAG should provide reasonable assurance that appropriate standards, manuals, methodology, tools and techniques are in place and applied consistently. During the CBNA process, many gaps were identified in the audit methodology adopted by the OAG in comparison with international best practice. Thus, Office has formulated the goal **"To provide timely and quality audit services".** To achieve the goal following objectives are determined:

1.1   To develop and implement Financial Audit Manual,

1.2   Enhance quality of audit through IT application,

1.3   To strengthen QA function,

1.4   To develop and use Specific Audit Guidelines on audit of Boards and SOEs,

1.5   Enhance quality in Performance Auditing,

1.6   To adopt time-bound reporting mechanism,

Expected Output

The expected output under this goal statement during the plan are:

Ø Financial Audit Manual which describes the methods, procedures, checklist and formats for understanding the entity, risk assessment, follow up, report writing will be developed and implemented.

Ø Staff will be trained on newly developed and updated guide.

Ø Awareness among staffs to adhere the Standard, Policy, guideline, handbook and manuals.

Ø Application of IT tools in pilot basis where it is applicable.

Ø Audit of boards and SOEs will be conducted by using the guidelines.

Ø Improved quality of performance audit with competent staffs and updated PA guide.

Ø Regular QA review will be conducted and QA review report produced including recommendation and responsibilities for undertaking timely remedial actions.

Ø Application of Guides and Standards are properly monitored.

Ø Submission of audit report within 12 months from the end of fiscal year.

Ø Audit will be in line with the international best practice.

Goal 2 To Strengthen independence and clarity in audit mandate.

The independence and mandate of the OAG should be as comprehensive as laid down in the INTOSAI Lima Declaration 1977 and Mexico Declaration on Independence 2007. While conducting CBNA, independence regarding budgetary and human resource was found lacking. Besides, power of rule formulation, clarity in scope, nature and types of audit are the issues that need to be addressed in the strategic plan. It affects the ethical requirement and core values of the Office. In this context, **"To strengthen independence and clarity in audit mandate"** is determined as goal 2. OAG has set the following objectives to achieve the goal within the plan period:

2.1 To formulate an unified Audit Act and Regulation,

2.2 To ensure independence on budgetary and human resources,

Expected Output

The expected success under this goal 2 at the end of the period are:

Ø Unified Audit Act with clarity in scope, nature and types of audit including specialized audit and audit of SOEs,

Ø Formulation of Audit Regulation as per OAG's requirement,

Ø Selection of Audit entities based on broad risk profile,

Ø Legal provision for PBIS,

Ø Availability of budget as per requirements and authority to administer staffs.

Goal 3 To enhance competency through professional development.

The Office should have a policies and procedures to recruit the personnel having suitable qualifications. Personnel should also possess appropriate training and experience on auditing. There should be policies and practices to build and sustain the competency, knowledge skill, and ability. CBNA identifies some areas to be addressed regarding the human resource and its capacity building. Thus, Office has formulated **"To enhance competency through professional development"** as goal 3. To realize this goal following objectives have been set:

3.1   To have multidisciplinary staff

3.2   To introduce PBIS to motivate staff,

3.3   To provide adequate training opportunity to staff,

3.4   To arrange knowledge and experience sharing activities,

3.5   To strengthen Training Division,

3.6   To design training course/material and provide training supported by practical session,

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Expected Output

The goal 3 seeks to ensure that:

- Ø   Adequate number of staffs having multidisciplinary qualification,
- Ø   Increased competency to carry out audit with highly technical nature,
- Ø   Introduction of PBIS,
- Ø   Participation and exposure of staffs through national and international training programs,
- Ø   Specialized audit conducted,
- Ø   Pilot based training helps performing the quality audit,
- Ø   Well equipped training division with adequate resources.

Goal 4 To establish an efficient organization and management.

The Office should ensure that its human and financial resources are used in the most efficient way to secure the quality of its services. Management should develop appropriate policies and measures to deliver effective audit work. In this regard, Office needs to have adequate provision of corporate support. Office building is inappropriate for office purpose; allocated budget is not sufficient for operational activities; and vehicle, furniture and IT facilities are also inadequate for smooth functioning of OAG. Similarly, the job description of staff, role and responsibility of each functional unit, among other things, need to be specified to promote the accountability and transparency in the activities of the office. To address this situation it is determined **"To establish an efficient organization and management"** as goal 4. The following objectives are devised to achieve the goal:

4.1   To arrange required budget for operational activities

4.2   To initiate construction of building with adequate office space

4.3   To acquire vehicles, furniture and fixtures, internet and intranet facilities

4.4   To establish Information Technology Directorate, Resource Centre, Research and Development Unit and Change Management Unit with required facilities

4.5   To improve internal governance

Expected Output

The achievement of the goal statement 4 at the end of the plan period will have following output:

- Ø   Well defined job description and roles and responsibilities of all the units,
- Ø   Sound communication between subordinates and supervisor,
- Ø   Conducive working environment with physical facilities,
- Ø   High morale and motivation of audit staffs,
- Ø   Strict adherence to Auditing Standards, Code of Ethics, Audit Guidelines and Manuals,
- Ø   Strengthened Research and Development activities,
- Ø   Establishment of Audit Management Information System,
- Ø   Availability of required budget for operational activities,
- Ø   Initiation for construction of office building,
- Ø   Availability of supervision vehicles,
- Ø   Delegation of authority,
- Ø   Nomination of external auditor of OAG by PAC.

Goal 5 To improve communication of audit results and relationship with external stakeholders.

The OAG is expected to deliver quality audit reports to promote accountability, transparency and value for money in the use of public resources. The effectiveness of audit report not only depends upon the factors like materiality, objectivity, reliability, clarity and timeliness but it is also important to have effective mechanism to communicate audit results by maintaining relationship with the key stakeholders. Different assessments have revealed that the annual report of AG is voluminous and suggested to make it right sized, balanced and users' friendly. Considering these facts it would be appropriate to have a well defined policy regarding communication with external stakeholders. In this context, Office has formulated goal 5 as **"To improve communication of audit results and relationship with external stakeholders."** It can be achieved by following objectives within the plan period:

5.1   To express audit opinion on financial statement,

5.2   To maintain uniformity in classifying audit observations/findings,

5.3   To right size the annual report for making it users' friendly

5.4   To formulate and implement policy on relationship with external stakeholders,

5.5   To establish relationship with other SAIs for cooperation activities,

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Expected Output

By implementing programs and activities related to goal 5, following output are expected to achieve:

Ø   Expression of audit opinion on the financial statement,

Ø   Proper classification, clarity and uniformity in audit observations,

Ø   Sizeable, balanced and user's friendly audit report,

Ø   Increased credibility and trust among the stakeholders,

Ø   Policy on strengthening relationship with external stakeholders,

Ø   Signing MOUs with SAIs and other organizations.

7. Implementation Matrix

Goal 1: To provide timely and quality audit service.

OBJECTIVES	KEY ACTIVITIES/PROGRAMS	Risk Level	OUTPUT INDICATORS	TIME FRAME	BUDGET (in Rs 000)	RESPONSIBILITY	CRITICAL SUCCESS FACTOR
1.1 To develop and implement Financial Audit Manual and update PA Guide	1.1.1 Develop Financial Audit Manual with toolkit, checklist and format considering risk based Audit report Writing and Follow up	High	Financial Audit Manual	July, 2011	4000	R & D unit with the assistance of external expert	Budget availability and Timely hiring of expert
	1.1.2 Print and distribute newly developed manual to the staff	Medium	Availability of Financial Audit manual to all staff	September, 2011	500	Internal Administration Directorate	Timely development of manual
	1.1.3 Develop course materials on newly developed manual	Medium	Training course material will be in place	February, 2012	1000	Training Division	Hiring of expert on time
	1.1.4 Organize training in manual to at least hundred auditors in a year.	High	100 trained staff	2012 onward	500	Training Division	Post training support
	1.1.5 Implement newly developed Audit Manual	Medium	Conduction of audit using audit manuals	May, 2012	None	All Directorates	Commitment of implementation
	1.1.6 Update existing PA guide as per the international standards	Low	Updated PA Guide	July, 2012	1500	PA Division	Timely decision and selection of expert
1.2 Enhance quality of audit through IT application	1.2.1 Establishment of IT Directorate with specific roles and responsibilities	Low	IT Directorate	May, 2010	None	CCU	Commitment from top management
	1.2.2 Conduct baseline study on the use of IT tools in audit	Low	Base line study Report	July, 2010	150	IT Directorate	Establishment of IT Division
	1.2.3 Establish data bank and develop reporting software and IT audit tools, checklist to implement on pilot basis	Medium	Data bank and software, tools and checklist for IT audit	December, 2011	5000	IT Directorate	Practicality of software developed

OBJECTIVES	KEY ACTIVITIES/PROGRAMS	Risk Level	OUTPUT INDICATORS	TIME FRAME	BUDGET (in Rs 000)	RESPONSIBILITY	CRITICAL SUCCESS FACTOR
	1.2.4 Train staff on hardware, software and networking	High	5 Trained staff on IT software	February, 2012	2500	Training Division	Selection of participants
	1.2.5 Initiate to establish office automation system to ease the day-to-day operation by procuring adequate numbers of computer.	Medium	Office automation system established procuring 200 laptops/computers	December, 2011	12500	IT Directorate	Practicality of the system introduced
1.3 To strengthen QA function	1.3.1 Application of Quality Assurance Handbook	Low	Application of QA system		None	AG	None
	1.3..2 Proper dissemination and distribution of hand book	Low	Availability of QA handbook	January, 2011	500	Training Division and QA Committee	Timely decision
	1.3.3 Provide reviewer's training to 30 staff each year	Medium	90 trained reviewers	2010-2012	500	Training Division and QA Committee	Selection Of Participants
	1.3.4 Conduct QA Review as mentioned in the QA Policy	High	At least 30 Audit files reviewed each year	Annually	300	QA Committee	Support from Audit Division and Leadership Direction
1.4 To develop and use Specific Audit Guidelines on audit of Boards and SOEs	1.4.1 Develop policy and Guides on audit of Boards, and SOEs	Low	Audit Policy and Guide	December 2011	2500	Research and development Unit and Policy Division respective Directorate	Staff Involvement hiring consultant
	1.4.2 Develop course material and train the staff on audit guide	Medium	Course material and trained 100 staff	March, 2012	1500	Training Division	Hiring of Training specialist
	1.4. Implementation of developed guide	Medium	Application of guide	July, 2012	500	CCU and Concerned Audit Directorate	Practicality of Audit Guide and awareness of staff
1.5 To Enhance Quality in performance audit	1.5.1 Full Implementation of Performance audit guide	Medium	At least 2 audit conducted each year as per loan agreement and request from stakeholders	2010-12	6000	Performance Audit Division and Other Directorate	Involvement and Support from other division
	1.5.2 Use objective criteria to select topics for PA	High	Objective selection of PA Topics	2010-12	None	CCU and PA Division	Compliance of criteria and timely selection
	1.5.3 Strengthen the PA division with required	High	Equipped PA division	July, 2011	5000	Procurement Unit	Procurement decision and Budget

OBJECTIVES	KEY ACTIVITIES/PROGRAMS	Risk Level	OUTPUT INDICATORS	TIME FRAME	BUDGET (in Rs 000)	RESPONSIBILITY	CRITICAL SUCCESS FACTOR
	equipments and facilities						
	1.5.4 Train 25 staff on PA each year	Medium	25 staff trained each year	2010-2012	500	Training Division	Utilisation of Trained Staff
	1.5.5 Engage staff in PA trained in international PA Course	Medium	Involvement of trained staff	December, 2010	None	General Administration Division	Commitment and staff motivation
1. 6.7 To adopt time -bound reporting mechanism	1.6.1 Initiate the practice of preparing and adopting action plan of each audit team leader for a year	Medium	Team leader wise action plan for the audit operation	July, 2010	500	Each Directorate	Realistic action plan
	1.6.2 Establish and strict adherence of the reporting deadline as well as annual calendar of operation of OAG on the basis of action plan of each Directorate	High	Realistic Annual calendar of operation and achieving the deadline of submitting report within12 months	July, 2010	500	AG and Planning and Policy Division and all Directorates	Achievable deadline for reporting and timely submission of central account by the FCGO
	1.6.3 Constitute a permanent report committee and study on restructuring and issuing reports by: audit report with opinion on financial statement annual performance report of the AG	High	Study report and Policy document	July, 2011	2500	Plan and Policy Division	Approval and execution of the policy and Commitment from leadership

Goal 2: Strengthen independence and clarity in audit mandate.

OBJECTIVES	KEY ACTIVITIES/ PROGRAMS	Risk	OUTPUT INDICATORS	TIME FRAME	BUDGET (in Rs 000)	RESPONSIBILITY	CRITICAL SUCCESS FACTOR
2.1 To formulate a unified Audit Act and Regulation	2.1.1 Propose the draft unified Audit Act incorporating audit provisions in different legislation in line with new constitution including the specialized audit and Audit of SOEs and Amend the Civil Service Act incorporating the provision for making separate Audit Service Regulation	High	Draft Audit Act and Audit Service Regulation and amendment of civil Service Act	December, 2011	1000	General Administration Division	Support from the Parliament and GON
	2.1.2 Draft the audit regulation to clarify different aspects of audit	Medium	Approved audit Regulation	December, 2012	500	General Administration Division	Support from the Parliament and Government
2.2 To ensure independence on budgetary and human resources,	2.2.1 Make provision in the Legislation to get lump sum budget in consultation with the PAC	High	Provision in the Legislation	December, 2011	None	OAG,PAC, MOF	Support from the Parliament and Government
	2.2.2 Make provision for PBIS in Audit Act	High	Legal provision for PBIS	December, 2011	None	General Administration Division	Support from the Parliament

Goal 3: Enhance competency through Professional Development.

OBJECTIVES	KEY ACTIVITIES/PROGRAMS	Risk	OUTPUT INDICATORS	TIME FRAME	BUDGET (In Rs 000)	RESPONSIBILITY	CRITICAL SUCCESS FACTOR
3.1 To have multidisciplinary staff	3.1.1 Assess the workload and strength available to fulfill the mandate	High	Assessment report	May 2010	1500	General Administration division	Realistic report
	3.1.2 Provide opportunity to acquire professional qualification (CA/ACCA/ MBA/ LLM/MA/ ME etc.)	High	At least 20 staffs enrolled to acquire professional qualification	2010-2012	30000	Training Division	Selection of Staff
	3.1.3 Participate in short and long term professional training in the field of auditing, management etc. within country and abroad	High	The number of trained staff will be 50 and 20 each year from within the country and abroad	2010-2012	30000	Training Division	Participants selection
3.2 To introduce PBIS to motivate staff	3.2.1 Form a team for the study of PBIS in other SAIs	Medium	Concept paper of study team	March, 2010	1000	AG and R& D Unit	Timely Decision
	3.2.2 Develop performance indicator and approve the mechanism	High	Performance indicator and Mechanism	June, 2010	500	General Administration Division	Measurable indicator
	3.2.3 Allocate fund for implementing PBIS	High	PBIS Fund	July, 2010 and onward	30000	General Administration Division	Budget, Regulation
	3.2.4 Make provision in regulation to reward best performers annually at least 5 percent of approved positions	Medium	Reward arrangement	2010-2012	6000	General Administration Division	Support of GoN
3.3 To provide adequate training opportunity to staff	3.3.1 Maintain staff database of the training and visit in and outside the country	Low	Database	July 2010	500	Training Division	Reliability of data
	3.3.2 Develop yearly training calendar for the period	Medium	Training Calendar	2010-2012	None	Training Division	Realistic Calendar
	3.3.3 Organize trainings as per the operational calendar in different areas of audit	High	Training Report	Annually	20000	Training Division	Resourceful Training Division

Office of the Auditor General

OBJECTIVES	KEY ACTIVITIES/PROGRAMS	Risk	OUTPUT INDICATORS	TIME FRAME	BUDGET (In Rs 000)	RESPONSIBILITY	CRITICAL SUCCESS FACTOR
	3.3.4 Implement the policy of 18 credit hours CPE for staff	High	CPE training to all auditors	2010-2012	500	Training Division	Communication of Policy
	3.3.5 Send senior and middle level 5 officers in the leadership development program abroad each year	Medium	5 trained staff each year	2010-2012	15000	Training Division	Availability of budget and program
3.4 To arrange knowledge and experience sharing activities.	3.4.1 Send participants in GAO Fellowship program each year	Medium	3 fellow graduate	2010-2012	7500	Training Division	Availability of budget
	3.4.2 Organize observation and exposure visit in different SAIs to at least 5 participants each year	High	15 participants get the opportunity of exposure visit	2010-2012	9000	Training Division	Availability of budget
	3.4.3 Organize at least one joint audit program each year with other SAIs and Private audit firms	Low	Audit report	2010-2012	3000	R& D Unit	Selection of partner SAI
	3.4.4 Explore the avenues and arrange twinning program with other SAIs.	High	MOU for twinning program	2010-2012	25000	Training Division	Program arrangement
	3.4.5 Make arrangement to participate in the following international training program organized by India, Pakistan, Malaysia, UK, Norway, Thailand, Philippines, Japan etc. each year: · Performance Audit-8 · Financial management-6 · I T Audit-6 · Financial Audit -25 · Training on public sector audit - 10	High	Trained staff	2010-2012	7500	Training Division	Selection of Staff

OBJECTIVES	KEY ACTIVITIES/PROGRAMS	Risk	OUTPUT INDICATORS	TIME FRAME	BUDGET (In Rs 000)	RESPONSIBILITY	CRITICAL SUCCESS FACTOR
	3.4.6 Initiate and Participate in Connecticut University USA in Auditing and Financial Management	Medium	One trained staff every year	2010-2012	6000	Training Division	Budget Availability
3.5 To strengthen Training Division	3.5.1 Nominate 5 participants for international trainer's training program each year	High	15 training specialists in different areas of audit	2010-2012	4500	Training Division	Budget and Retention of Specialist
	3.5.2 Equip Training Division with: Vehicles, training halls and space, IT facilities, Photo Copier, Furniture, Refurbishment, Cameras, etc..	Low	Equipped Training Division	July, 2012	10000	Training Division	Procurement Decision
	3.5.3 Engage skilled and competent staff in the Training Division with reasonable incentives	Medium	Training Division with skilled and Motivated staff	July, 2012	3000	OAG management	Staff Motivation Scheme
3.6 To design training course/ material and provide training supported by practical session	3.6.1 Conduct assessment to identify the training needs	Medium	Need Assessment Report	July, 2010	450	Training Division	Operation of assessment
	3.6.2 Develop training course materials in different areas of audit	High	Course material	December, 2010	5000	Training Division	Involvement of Staff and outsourcing
	3.6.3 Select few audit entities to conduct Pilot Audit by trainees for practical exposure	Medium	Training followed by practical exposure	July, 2011 onward	3000	Training Division	Coordination with other Divisions
	3.6.4 Arrange basic and advance level computer training as required	Medium	Ability of staff to operate: MS Office- all MS Access and Oracle - 100 Programming- 10	2010-2012	10000	Training and IT Directorate	Outsourcing and budget

OBJECTIVES	KEY ACTIVITIES/PROGRAMS	Risk	OUTPUT INDICATORS	TIME FRAME	BUDGET (In Rs 000)	RESPONSIBILITY	CRITICAL SUCCESS FACTOR
	3.6.5 Collaborate with professional institutions to develop skills through training on: English language, Project proposal and report writing , Presentation skills etc.	Low	Trained staff- 50 annually	2010-2012	7500	Training Division	Outsourcing and budget

Goal 4: To establish an efficient organization and management.

OBJECTIVES	KEY ACTIVITIES/PROGRAMS	Risk	OUTPUT INDICATORS	TIME FRAME	BUDGET (In Rs 000)	RESPONSIBILITY	CRITICAL SUCCESS FACTOR
4.1 To arrange required budget for operational activities	4.1.1 Allocate required DA and travel expenses (including local conveyance) for audit staff	Medium	Availability of budget	2010-2012	Regular Budget	Internal Management Division and MOF	Budget approval
	4.1.2 Timely procure required office materials	Medium	Availability of office materials	2010-2012	30000	Internal Management Division and Procurement Unit	Timely procurement
	4.1.3 Arrange budget for hiring expert	Medium	Expert hired	2010-2012	9000	Internal Management and PA Division	Timely procurement
4.2 To initiate construction of building with adequate office space	4.2.1 Acquire government owned land	Low	Land	July, 2010	None	GON and Management of OAG	Support from GON
	4.2.2 Procurement of contractor to Construct Office building	Low	Selection of contractor	December 2011	50000	GON and Management of OAG	Support from GON
	4.2.3 Maintenance of existing building until new one is not completed	Medium	Maintenance	2010-2012	10000	Internal Management	Availability of budget
4.3 To acquire vehicles, furniture and fixtures, internet and intranet facilities	4.3.1 Procure five Staff Buses, four supervision vehicles and 10 Motor bikes	High	Availability of vehicles	December 2010	20000	Internal Management division and Procurement Unit	Budget and timely decision
	4.3.2 Rearrange the office layout on the basis of functional linkage	High	Conducive working environment	May, 2010	500	Internal Management Division	Decision for rearrangement
	4.3.3 Standardize furniture and refurbishment facilities for each level of staff and provide adequate numbers of inter-com telephone	Medium	Standardization and inter-com telephone	December 2011	10000	Internal Management division and Procurement Unit	Decision for Standardization and procurement
	4.3.4 Conduct need assessment for the internet and intranet facilities	High	Need Assessment Report	March, 2010	500	IT Directorate	Selection of expert
	4.3.5 Procure broad - band internet facilities	Medium	Reliable Internet facilities	December 2010	2500	IT Directorate	Selection of service provider

OBJECTIVES	KEY ACTIVITIES/PROGRAMS	Risk	OUTPUT INDICATORS	TIME FRAME	BUDGET (In Rs 000)	RESPONSIBILITY	CRITICAL SUCCESS FACTOR
	4.3.6 Install intra network	Low	Network Installed	December 2010	1000	IT Directorate	Use of network
4.4 To establish IT Directorate, Resource Centre, R & D Unit and Change Management Unit with required facilities	4.4.1 Develop IT policy for OAG	Medium	Approved policy	December 2010	1000	IT Directorate	Hiring expert
	4.4.2 Establish R & D unit with specific role and responsibilities	High	R & D Unit	May, 2010	None	OAG Management	Decision of establishment
	4.4.3 Prepare a program proposal for research and development	Medium	At least 2 Research Program yearly	July, 2010	1000	R & D Unit	Target setting
	4.4.4 Establish change management unit with resources	Medium	Unit with policy and resources	December 2010	None	OAG Management	Commitment to implement
	4.4.5 Upgrade library as a resource center	High	Resource materials	July, 2011 onward	5000	Training Division	Availability of resource material
4.5 To improve internal governance	4.5.1 Develop and implement standard operating procedure (SOP) of OAG	High	SOP	July, 2010	1000	R & D Unit	Applicability of procedure
	4.5.2 Delegate required authority to appropriate levels and staff	Low	Delegated authority	December 2010	None	R & D Unit	Willingness of management
	4.5.3 Make legal provision for independent external audit of OAG nominated by PAC	High	Legal Provision	December 2010	None	OAG Management	Legal arrangement
	4.5.4 Develop Service charter of OAG	Low	Service Charter	July, 2010	100	General Administration	Compliance of the charter
	4.5.5 Update and ensure adherence to the Code of Ethics	High	Updated Code of Ethics adopted	July, 2010	200	Policy Division and CCU	Existence of compelling factors
	4.5.6 Reorganize the organ gram to fix the staff number in each unit	Medium	Revised organ gram	July, 2010	100	General administration	Approval from the AG
	4.5.7 Revise job description of all levels	Low	Updated job description	July, 2010	1000	General Administration	Task analysis

OBJECTIVES	KEY ACTIVITIES/PROGRAMS	Risk	OUTPUT INDICATORS	TIME FRAME	BUDGET (In Rs 000)	RESPONSIBILITY	CRITICAL SUCCESS FACTOR
	4.5.8 Define role and responsibility of Division and Directorate	Medium	Role and responsibilities defined	December 2010	200	General administration	Coordination
	4.5.9 Restructuring of OAG Organogram as per state restructuring	High	Organizational restructuring	December 2012	◉◉◉	General Administration and R & D Unit	Commitment and timely decision

◉◉◉The cost will be determined as per the requirement

Goal 5: Improve communication of audit results and relationship with external stakeholders

OBJECTIVES	KEY ACTIVITIES/PROGRAMS	Risk	OUTPUT INDICATORS	TIME FRAME	BUDGET (In Rs 000)	RESPONSIBILITY	CRITICAL SUCCESS FACTOR
5.1 To express audit opinion on financial statement	5.1.1 Suggest/approve appropriate format of the consolidated and entity wise financial statement	High	Formats of statements	July, 2010	500	R and D Unit	Approval of format
	5.1.2 Determine policy on expressing opinion on financial statement and issue the Guidance Note	Medium	Policy and Guidance Note	July, 2010	600	R and D Unit and Policy Division	Internalization and Commitment
	5.1.3 Train staff on Guidance Note	Low	All staff trained	August, 2010 onwards	300	Training Division	Internalization
	5.1.4 Express audit opinion	Low	Audit opinion	December, 2010	None	All Directorates	Commitment
5.2 To maintain uniformity in classifying audit observations/ findings	5.2.1 Develop guidance to classify audit observations	High	Guidance	December, 2010	500	Policy Division	Applicability and awareness
	5.2.2 Develop format and template for content, structure and standard language of writing audit observation	Low	Standard Format and language	December 2011	500	Policy Division	Applicability and awareness
5.3 To right size the annual report for making it users' friendly	5.3.1 Conduct interaction with PAC and other stakeholders on annual report	High	Interaction report	May, 2010	200	Training Division	Participation of Stakeholders
	5.3.2 Hold internal discussion on the issues to be incorporated in the annual report and determine the space for each Ministry	Medium	Minute of discussion	May, 2010 and onward	200	Training Division	Adherence to the space provided for reporting

OBJECTIVES	KEY ACTIVITIES/PROGRAMS	Risk	OUTPUT INDICATORS	TIME FRAME	BUDGET (In Rs 000)	RESPONSIBILITY	CRITICAL SUCCESS FACTOR
	5.3.3 Study and Determine the materiality level and significance of observations to be reported	Medium	Study report for Materiality determination	July, 2010	1000	R and D Unit OAG Management	Decision
	5.3.4 Initiate the practice of issuing controlling entity-wise final audit report	Medium	Controlling entity-wise Report	December, 2010	2500	Audit Directorates	Decision
5.4 To formulate and implement policy on relationship with external stakeholders	5.4.1 Draft and approve the communication policy of the audit results OAG's performance	High	Policy	July, 2010	500	Policy Division	Approval of policy
	5.4.2 Increase the number of interactions with audited entities, Chief Accounting Officers, PAC, Donors including Media briefing and media release, on audit results.	Medium	Interaction report and number of media briefing and press release	2010-2012	500	Training division, CCU and Spokesperson	Participation of stakeholder
	5.4.3 Introduce practice of publishing highlights of Audit findings separately and OAG brochure for public circulation	High	Highlights Publication and OAG brochure	2010-2012	3000	Procurement unit	Timely printing
	5.4.4 Update the web page on regular basis	Low	Updated Web page	December 2010	200	IT Directorate	Expertise and connectivity
5.5 To establish relationship with other SAIs by signing MOUs for cooperation activities	5.5.1 Conduct need assessment and initiate dialogue with other SAIs for mutual cooperation	High	Identification of areas of cooperation	2010-2012	2000	International Relation Division	Support from other SAIs
	5.5.2 Enter into the bilateral MoU with other SAIs for professional development as mentioned in goal 3	High	Signing of MoUs	2010-2012	500	International Relation Division	Support from other SAIs

OBJECTIVES	KEY ACTIVITIES/PROGRAMS	Risk	OUTPUT INDICATORS	TIME FRAME	BUDGET (In Rs 000)	RESPONSIBILITY	CRITICAL SUCCESS FACTOR
	5.5.3 Sign MOUs with other SAIs to conduct institutional level QA Review	High	Institutional level QA review report	2010-2012	1500	QA Committee and CCU	Availability of Budget and MOU with other SAI

8. **Proposed Budget**

In order to achieve the goals determined in this plan, required goal-wise budget for each year is given below.

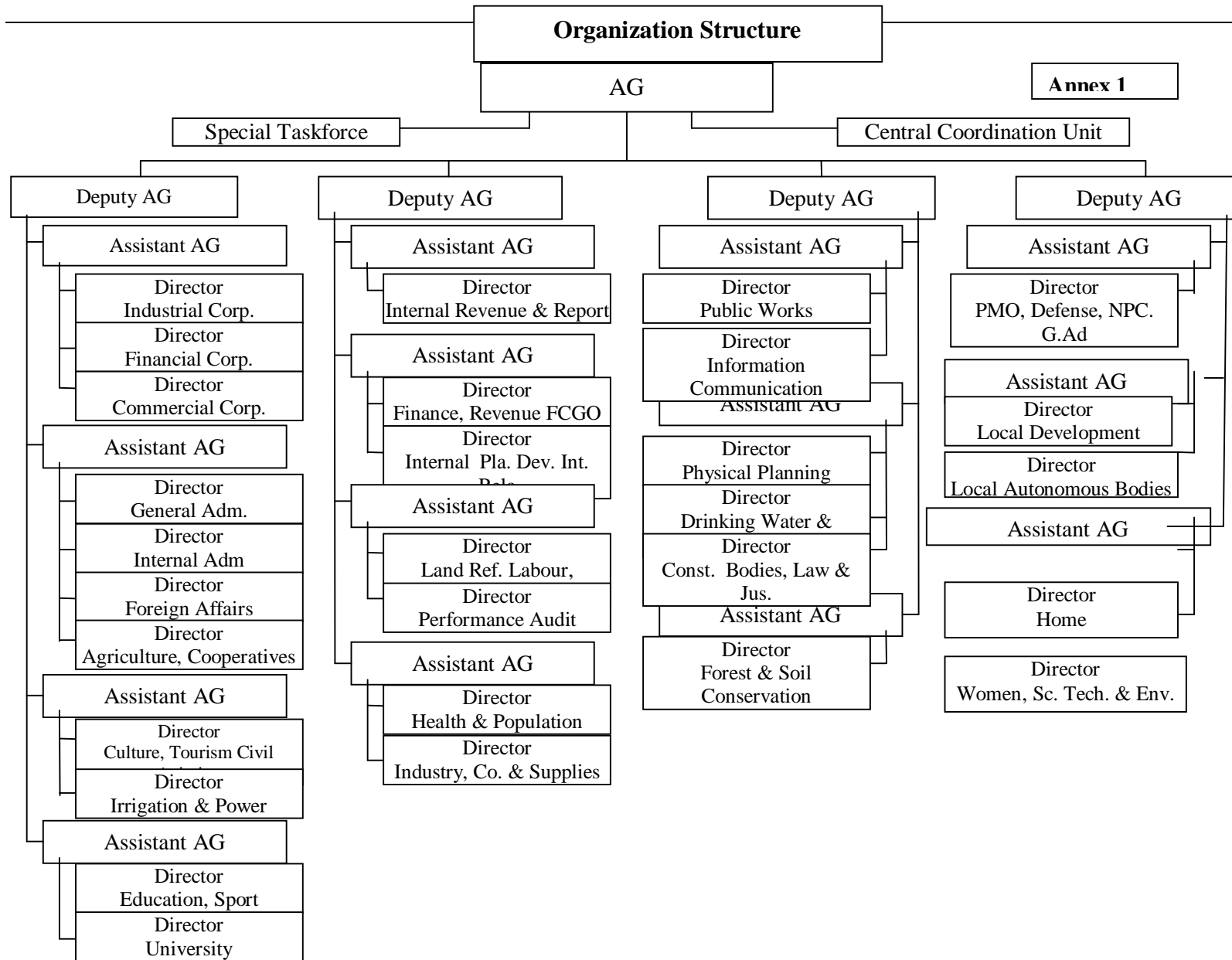| Goal No.	Description of Goal	Budget (NRs in 000)			
		Year 1	Year 2	Year 3	Total
1	To provide timely and high quality audit service	17,700	24,250	6500	48,450
2	To strengthen independence and clarity in mandate	600	700	200	1500
3	To enhance competency through professional development	65,100	71,200	79,150	215,450
4	To establish an adequate and effective organization and management	38,100	81,000	26,000	145,100
5	To improve communication of audit results and relationship with external stakeholder.	9,400	2625	2475	14500
Total		**130,900**	**179,775**	**114,325**	**425,000**

The budget and activities are gender responsive. While implementing the activities of goal 3 and 4, the opportunities and physical facilities will be made more gender friendly.

9. Implementation, Monitoring & Evaluation of Strategic Plan

For the purpose of effective implementation of the strategic plan, it is essential to form a high level Steering Committee (SC) under the chairmanship of DAG. The Committee shall be comprised of five members nominated by the AG with the TOR of the SC. Each Division/Directorate/Units/Committee shall be responsible to execute the activities of strategic plan.

Overall coordination, monitoring and evaluation of this strategic plan shall be carried out by the SC. The coordination and monitoring meeting will be held monthly with the responsible officers of divisions/directorates/units/committee. The performance indicators mentioned in the implementation matrix are the basis for the monitoring and evaluating the strategic plan. Each Division/Directorate/Units/Committee shall be required to report the progress to SC. The SC shall submit its annual progress report to the AG. Such report should cover the progress achieved and activities implemented during the year including problems, their causes and suggestions for the improvement.

Organization Structure

AG

Special Taskforce

Central Coordination Unit

Deputy AG	Deputy AG	Deputy AG	Deputy AG
Assistant AG	Assistant AG	Assistant AG	Assistant AG
Director Industrial Corp.	Director Internal Revenue & Report	Director Public Works	Director PMO, Defense, NPC. G.Ad
Director Financial Corp.	Assistant AG	Director Information Communication	Assistant AG
Director Commercial Corp.	Director Finance, Revenue FCGO	Assistant AG	Director Local Development
Assistant AG	Director Internal Pla. Dev. Int.	Director Physical Planning	Director Local Autonomous Bodies
Director General Adm.	Assistant AG	Director Drinking Water &	Assistant AG
Director Internal Adm	Director Land Ref. Labour,	Director Const. Bodies, Law & Jus.	Director Home
Director Foreign Affairs	Director Performance Audit	Assistant AG	Director Women, Sc. Tech. & Env.
Director Agriculture, Cooperatives	Assistant AG	Director Forest & Soil Conservation	
Assistant AG	Director Health & Population		
Director Culture, Tourism Civil	Director Industry, Co. & Supplies		
Director Irrigation & Power			
Assistant AG			
Director Education, Sport			
Director University			

List of Acronyms

AG –	Auditor General
ASOSAI -	Asian Organization of Supreme Audit Institutions
AAG -	Assistant Auditor General
AO -	Audit Officer
AS -	Audit Superintendent
ACCA -	Association of Chartered Certified Accountant
AQMS-	Audit Quality Management System
AI -	Audit Inspector
CO -	Computer Operator
CCU -	Central Coordination Unit
CA -	Chartered Accountant
CPE-	Continuous Professional Education
CBNA -	Capacity Building Need Assessment
CIAA-	Commission on Investigation of Abuse of Authority
DIR -	Director
DDC -	District Development committee
DAG -	Deputy Auditor General
DTCO-	District Treasury Comptroller Office
DA-	Daily Allowance
FCGO -	Financial Comptroller General Office
GON -	Government of Nepal
GAO -	General Accountability Office
HRD-	Human Resource Development
ICT-	Information Communication Technology
IT -	Information Technology
ICAN -	Institute of Chartered Accountant of Nepal
IDI -	INTOSAI Development Initiatives
INTOSAI –	International Organization of Supreme Audit Institutions
LLM -	Master in Law
MOF -	Ministry of Finance

MBA -	Master in Business Administration
MA -	Master in Art
ME -	Master in Engineering
MS -	Microsoft
MOU –	Memorandum of Understanding
NASC-	Nepal Administrative Staff College
NPC -	National Planning Commission
OAG –	Office of the Auditor General
PAC -	Public Account Committee
PEFA -	Public Expenditure Financial Accountability
PA -	Performance Audit
PBIS -	Performance Based Incentives Scheme
PMO -	Prime Minster's Office
QA -	Quality Assurance
RATC-	Revenue Administration Training Centre
R&D -	Research & Development
SAI -	Supreme Audit Institution
SWOT -	Strength, Weakness, Opportunity, Threat
SOE -	State Own Enterprises
SOP -	Standard Operating Procedures
SC-	Steering Committee
SLC-	School Leaving Certificate
SPT-	Strategic Planning Team
TOR-	Term of Reference
UK -	United Kingdom
USA-	United State of America

Strategic Planning Team

1. Mr. Badri Bahadur Karki, Deputy Auditor General - Coordinator
2. Mr. Dev Bahadur Bohara, Assistant Auditor General - Member
3. Mrs. Bimala Subedi, Assistant Auditor General - Member
4. Mr. Mohadatta Timilsina, Assistant Auditor General-Member
5. Mr. Babu Ram Gautam, Director -Member
6. Mr. Ramu Prasad Dotel, Director- Member