NEPAL

COUNTRY FINANCIAL ACCOUNTABILITY ASSESSMENT (CFAA)

DEVELOPMENT ACTION PLAN

Key Action	Sub-actions	Responsibility	Timing (Fiscal Year)			Progress Update
			Priority	Medium-term	Long-term	
			2002/03	2003/04-2006/07	2006/07+	
A. HMGN comply with the Constitution of the Kingdom of Nepal, 1990, and the Financial Administration Regulations (FAR), 1999 by tying all budgets and cash releases to forecasts of and reports on, the physical achievements, goals or outcomes resulting from such public expenditure.	1. **Reinforcement of Rules:** Demand retrospective report and prospective forecasts as part of all budgets (i) initially under five sectoral ministries (Agriculture, Education, Health, Water Resources and Works & Physical Planning) where MTEF is being piloted; (ii) during the medium term, work out a plan for implementation in other ministries; and (iii) as the third phase, extend to local bodies.	**Lead:** **MOF** **Others:** **NPC, MOLD, Line Ministries**	✔	✔	✔	FCGO has issued circular to all P1 projects to submit progress reports linking financial progress with performance. HMGN has adopted a policy to link budget release with the physical progress as per the target. Effective FY2003/04, all Ministries are now required to (i) submit their progress reports for the fiscal year while requesting budget for the next fiscal year, and (ii) submit the prospective forecasts of activities and expenditures. Implementation Manual is available and has been disseminated. This has not yet been extended to local bodies.

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	2. **Linking Fund Release to Progress Report:** Reject every cash disbursement request from any office, central or local, failing to submit retrospective report and prospective forecast of measurable outputs and goals, as well as financial report and forecast.	**Lead:** **FCGO** **Others:** **MOF, NPC**	✔	✔		A policy has been adopted that budget release will be immediately made where achievements are 80 percent or more; release will be subject to further interrogation where achievements are between 50 to 80 percent; and the release will be stopped where achievements are less than 50 percent. FCGO has instructed all DTCOs accordingly. This policy has initially been applied only to P1 projects. For projects other than P1 projects, budget release will be made by simply taking the progress report. For other projects not under P1, budget will be released based on the progress report. FCGO has recently appointed a focal person in FCGO to monitor fund release based on the above arrangements.
	3. **Amendment of FAR and LSGA:** Review existing Schedules, particularly Schedules 2, 3 and 5 of FAR and the LSGA for their adequacy in implementing sub-actions 1 and 2 above, and supplement them as needed.	**Lead:** **FCGO, MOLD** **Others:** **MOF, OAG, NPC**	✔	✔		HMGN has amended the Financial Administration Regulations, 1999 (second amendment) and has been notified in the Nepal Gazette on September 29, 2003. The amendment has (i) incorporated major recommendations of the Country Procurement Assessment Review (CPAR), (ii) revised Schedules 2 and 5 based on CFAA recommendation, and (iii) repealed Schedule 3.

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	4. **Budget Monitoring:** Strengthen the Monitoring Section of the NPC ensuring full ownership by NPC to institute a realistic system to monitor all development projects on a regular basis requiring mandatory reporting on a four monthly basis. Further, FCGO prepare budget implementation reports and make such reports available in the same frequency.	**Lead:** **NPC,** **FCGO** **Others:** **MOF**	✔			Poverty Monitoring Section has been established in the NPC to monitor the indicators of poverty reduction. Efforts are also underway to provide training on monitoring to various officials implementing development projects, representing about 15 Ministries and about 11 officials from NPC. Three days workshop on Monitoring of Development Projects conducted to 28 staff of 15 ministries and 11 staff of NPC. Development indicators are being formulated for development projects; Procedural Guidelines are also being prepared. Performance based release system guidelines have been issued to DTCOs to release funds to 164 projects based on performance indicators. FCGO published the second consolidated financial statements for FY2001/02. Trimester financial statements are disseminated upon demand to the concerned entities. Regarding publication and wide circulation on a periodic basis, HMGN is initiating an action on it, and will soon publish on a periodic basis.
	5. **Effective Internal Audit:** Verify all offices, central and local, at least once during the year and report to the OAG on their compliance with Sub-Actions 1 and 2 above, and certify their capacity to comply.	**Lead:** **FCGO,** **Others:** **DTCOs**	✔	✔		FCGO is in the process of revising its Internal Audit Manual in accordance with the performance indicators and new changes. A team has been formed to review the existing Internal Audit Manual.

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	6. **Effective External Audit:** Confirm in OAG Annual Report whether every office, central and local, complied during the year with Sub-Actions 1 and 2 above, name non-compliers, and recommend actions for them.	**Lead:** **OAG**	✔	✔		OAG to introduce accordingly based on annual progress report. This will be covered in AG's 2003 Annual Report.
	7. **Output Monitoring Report:** Accounting and reporting systems be expanded by creating codes to permit the recording of quantitative and other output data to compare with benchmarks established in budgets; and upgrade the current software used by FCGO to accommodate output monitoring codes.	**Lead:** **FCGO** **Others:** **NPC,** **MOF,** **Line** **Ministries** **Support:** **Donors**		✔	✔	FCGO has initiated necessary work in developing a computer software to capture all information relating to revenues. This is now in operation from FY2003/04. The process of capturing all information required for financial computation will be continued. Starting from FY2003/04, software on revenue financial statements have been installed in FCGO and DTCOs, and brought into operation.
	8. **Reinforcement of Rules on Sanctions or Penalties:** Direct HMGN to take legal actions in consideration of recommendations of OAG.	**Lead:** **PAC**	✔			Since there is no PAC now, no follow-up on this action.
	9. **Amendment of Laws:** Review and amend existing Acts and other related Rules and By-laws for compatibility with all actions and sub-actions above, particularly to ensure that laws permit appropriate sanctions and penalties.	**Lead:** **MOF** **Others:** **FCGO,** **NPC,** **OAG,** **Line** **Ministries**	✔	✔		Although legal enactment is not possible now in the absence of the Parliament, internal discussions within the ministry are prevailing. Review of relevant laws will not take place unless it is sanctioned by the Lower House of the Parliament, which currently does not exist.

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	10. **Capacity Building:** Prepare capacity building plan covering a comprehensive human resources development plan to bring about sustainable change in attitude and behavior to implement suggested reforms. The plan should include amongst others training of all budget, accounting, auditing, PAC and legal staff, central and local, in implementing the above sub-actions.	**Lead:** **FCGO** **Others:** **NPC, MOF, OAG, MOLD, Line Ministries** **Support:** **Donors**	✔	✔		Regarding human resource development, a study is underway internally to develop a comprehensive manpower development program for FCGO
B. **Improve Nepalese Accounting and Auditing Standards and Practices.**	1. **Creation of ASB and AuSB:** Create and support the Financial Accounting Standards Board (ASB) and the Auditing Standards Board (AuSB) to formulate appropriate accounting standards for the use of public sector, private sector, local bodies, and NGOs.	**Lead:** **MOF** **Others:** **FCGO,OAG, ICAN, FNCCI**		✔		ASB and AuSB already constituted by HMG/N Under Nepal Chartered Accountants Act, Section 15 (ka) and 15 (gha). Notification has been issued in Nepal Gazette, dated Fagun 26, 2059 (March 9, 2003). Both these Boards are now in operation and have started to issue Auditing and Accounting Standards. HMGN has provide necessary support and budget to support the activities of these Boards.

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	2. **Dissemination of Standards:** Issue accounting and auditing standards applicable to Government, banks, insurance companies, state-owned enterprises, corporations, non-governmental organizations and other entities.	**Lead:** **ICAN** **Others:** **FCGO, OAG, Universities**	✔	✔		Following the creation of separate Accounting Standard Board and Auditing Standard Board on March 9, 2003, 8 Auditing Standards and 4 Accounting Standards have already been announced. These standards have been published and widely disseminated. Following are the **Auditing Standards**: NSA 01: Objectives and General Principles Governing Audit of Financial Statements NSA 02: Terms of Audit Engagements NSA 03: Documentation NSA 04: Audit Evidence NSA 05: The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements NSA 06: Audit Materiality NSA 07: Planning NSA 08: The Auditor's Report on Financial Statements Following are the **Accounting Standards**: NAS 01: Presentation of Financial Statements NAS 02: Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies NAS 03: Cash Flow Statements NAS 04: Inventories

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	3. **Formulation and Enforcement of Accrual Accounting System in Government:** Develop a roadmap and a realistic time-bound action plan for the medium to long-term introduction of accrual accounting in government based on a carefully-phased plan.	**Lead:** **FCGO** **Others:** **OAG, ICAN** **Support:** **Donors**		✔	✔	In the last year a study was conducted with the assistance of ADB. Unfortunately, the TA could not be continued, and the study is now dropped.
	4. **Policy Decision for Inclusiveness of all Resource Inflow:** (a) Discuss with donors the inclusion of all loans, grants, direct donor payments, and beneficiary contributions for all projects in Nepal within the National Budget, accounting and audit; (b) Implement the plan agreed with donors.	**Lead:** **MOF** **Others:** **NPC, OAG, Line Ministries** **Support:** **Donors**	✔	✔		The Foreign Aid Policy of HMGN issued in 2003 specifies about this need. Most of the donors have followed up this requirement. MOF is pursuing its dialogue with the donors who have not complied this requirement. FY2003/04 budget has incorporated most donor assisted projects and programs.
	5. **New Chart of Accounts:** Introduce new accounting codes and classifications by activity, which correspond to (i) budget codes and classifications, and (ii) codes and classifications used in project budgets and accounts, including for donor-funded projects.	**Lead:** **FCGO** **Others:** **MOF, NPC, OAG**		✔		This is under process and FCGO is considering to introduce this in two stages next year. FCGO's target is to fully transit the HMGN's chart of accounts according to IMF's GFS during the medium term.

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	6. **Capacity Building in Internal Audit Service:** Strengthen the internal audit service at all levels of government – central and local – through Human Resource Development (HRD) including training.	**Lead:** **FCGO** **Others:** **MOF, MOLD** **Support:** **Donors**	✔	✔		Regarding human resource development, a study is underway internally to develop a comprehensive manpower development program for FCGO. FCGO has already initiated providing training to 35 Internal Auditors through the Revenue Administrative Training Center.
	7. **Integrated Treasury System:** Consider the possibility of introducing integrated treasury system to reduce the number of accounting centers.	**Lead:** **FCGO** **Others:** **MOF, OAG** **Support:** **Donors**		✔		A working committee is revising the procedures since this departure is only possible with the amendments in the Financial Procedural Act (FPA); a draft of amended version has been forwarded to MOF for approval.
	8. **Amend Laws:** Introduce whatever legislative or regulatory changes are needed to implement Sub-Actions 1-7 above.	**Lead:** **MOF** **Others:** **FCGO, MOLD,**	✔	✔		A draft of Financial Procedures Legislation is ready which has made an arrangement to launch the Integrated Treasury System. Its enactment is pending.
	9. **Capacity Building:** Train staff, including trainers, to implement 1 - 7 above.	**Lead:** **FCGO** **Others:** **MOF** **Support:** **Donors**	✔	✔		Regarding human resource development, a study is underway internally to develop a comprehensive manpower development program for FCGO.

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C. Strengthen Financial Accountability at the Local Level.	1. **Reinforcement of Laws:** Implement Actions A and B (those that are relevant at local level) fully in VDCs, Municipalities, and DDCs.	**Lead:** **MOLD** **Others:** **MOF, FCGO**	✔	✔		District level planning will be in accordance to budget ceiling and guidelines. Audit section established in DDC according to the prevailing Act. Release to be based on performance outputs.
	2. **Simplification of Accounting System Procedures:** Simplify accounting procedures at VDC level, without sacrificing accuracy, timeliness, or the principle of matching expenditures with outputs and outcomes.	**Lead:** **FCGO** **Others:** **MOLD, ADDCN**	✔	✔		
	3. **Promote Participation:** Include in Accounts Committees at local levels, the major stakeholders as well as financial experts.	**Lead:** **MOLD** **Others:** **VDCs, Municipalities, DDCs**	✔	✔		Pending. As there is no provision to include the financial expert, other than specified committee members in the Act, the Act needs to be amended to include the financial expert.
	4. **Effectiveness of Accounts Committees:** Require Accounts Committees to remain active all the year round.	**Lead:** **MOLD** **Others:** **VDCs, Municipalities, DDCs**	✔	✔	✔	There is a provision in the Act that committee meetings should be held six times in a year - it has also specified the right and duties of the committee.
	5. **Capacity Building:** Re-assign sufficient numbers of existing qualified FCGO staff to VDCs, Municipalities and DDCs to speed up capacity building at the local levels.	**Lead:** **FCGO** **Others:** **MOLD**	✔	✔	✔	Numbers of personnel are deputed as per the requisition received from the concerned institutions.

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	6. **Capacity Building:** Organize appropriate human resource development programs including training, and any capacity building activity necessary to implement Sub-Actions 1 - 5 above.	**Lead:** **MOLD** **Others:** **FCGO**	✔	✔		
	7. **Fiscal Decentralization:** Review and consider the reduction of the number of administrative districts, local and regional offices. Ensure that fiscal decentralization efforts go in parallel with budget planning by MOF and decentralized auditing by OAG.	**Lead:** **MOF** **Others:** **FCGO, OAG, MOLD**	✔	✔		Number of government offices have been reduced with the initiation of policy of handover to the local governments and local communities under the process of fiscal decentralization - this has been effect in the following areas: agriculture extension; health posts and primary schools. HMGN has adopted a policy of regularly handing over basic services to local governments /communities. This should allow to reduce number of offices in the coming years. Reduction of the number of administrative districts, local and regional offices is a political agenda, and will require political consensus building. This may take some time in the current political environment.
D. **Strengthen the Independence, Capacity, and Usefulness of Reporting of the OAG**	1. **Enhance Independence of OAG:** Provide the annual budget requested by the OAG without any modification. Any differences that may arise between the AG and the MOF in the budget request, should be reviewed and resolved in a tripartite meeting comprising the Public Accounts Committee of the Parliament, the MOF and the OAG.	**Lead:** **OAG** **Others:** **MOF, PAC**	✔	✔		HMGN is committed to provide adequate budget to OAG. FY2003/04 budget allocated for OAGN will reflect whether the budget is allocated as per OAGN's request.

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	2. **Increase Resources to OAG:** Increase the OAG annual budget adequately to cope with the needs for more staff numbers, human resource development programs including training, equipment and skills, particularly to cope with the additional compliance auditing called for by this DAP, and for expanded performance auditing to measure the outputs and outcomes.	**Lead: OAG** **Others: MOF, PAC**	✔	✔	✔	Necessary discussions are underway within the OAG for planning process.
	3. **Increase Staff Resources to OAG:** Empower the AG to adjust staff within an agreed limit; if more staff than the agreed numbers are required, OAG in close coordination with MOF and MOGA determine staff positions as per "business needs".	**Lead: MOGA** **Others: OAG, MOF,**	✔	✔		
	4. **Capacity Building:** Revise OAG audit guidelines to comply with INTOSAI auditing standards.	**Lead: OAG** **Support: Donors**	✔	✔		HMGN submitted a request to IDA for IDF Grant support on August 14, 2002 to help OAGN to implement DAP actions 4, 5 and 6. Request for IDF Grant approved by the Bank on October 24, 2002. Grant Agreement is now effective as of March 11, 2003.

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	5. **Capacity Building:** Strengthen OAG's Training Division; train more staff; and recruit needed consultants; provide exposure through visits to successful SAIs and "twinning"; develop human resource development plans.	**Lead:** **OAG** **Support:** **Donors**	✔	✔		This will be carried out through the IDF Grant Project.
	6. **Compliance with Audits:** Submit to OAG a time-bound action plan for clearing all audit backlogs, and keeping audits up-to-date. Establish a monitoring and follow-up system to evaluate audit backlogs and the clearance of irregularities, and periodically report on their status (see Main Report paragraphs 6.21 – 6.23)	**Lead:** **MOF** **Others:** **Line Ministries, Departments, other implementing agencies**	✔			A separate cell formed within the MOF is working in regards to the settlement of irregularities.
	7. **Enhance Audit Quality:** Arrange for an external peer review of and report on OAG's work at least once every two years by a reputable private audit firm.	**Lead:** **OAG**	✔	✔	✔	The Auditor General has agreed to implement this action plan. An external peer reviewer will be identified to peer review OAGN's work in FY2003/04.
	8. **Independence on Audit of OAG:** Arrange for external audit of OAG's accounts by a reputable private auditor.	**Lead:** **OAG**	✔	✔	✔	The Auditor General has agreed to implement this action plan. The Auditor General has already appointed independent qualified accountant to audit the OAG accounts of FY03.

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E. Strengthen Oversight Institutions	1. **Monitoring and Dissemination of Information:** Report publicly the implementation status of the 82 directives issued by the PAC to HMGN based on the OAG report findings in FY1998/99 and FY1999/00. Establish a system for regular reporting of implementation status of PAC directives.	**Lead:** **MOF** **Others:** **PAC, FCGO, OAG**	✔	✔		
	2. **PAC Capacity Building:** Provide the PAC, through grant funds, improved and additional office space, meeting rooms, recording equipment, office staff, computer equipment, translation facilities, and travel facilities to promote exposure to successful PACs in other countries.	**Lead:** **PAC** **Others:** **MOF** **Support:** **Donors**	✔	✔		Since there is no PAC now, no follow-up on this action. Public Accounts Committee Secretariat is carrying out consensus building for public expenditures reform.
	3. **Improved PAC Directives:** Classify PAC directives according to materiality, responsibility, impact, and realistic implementation time-frame. Also, take decision on actions and recommendations not later than one year of the receipt of the AG's Annual Report.	**Lead:** **PAC**	✔	✔		Since there is no PAC now, no follow-up on this action.

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	4. **English Version of PAC Reports:** Translate summaries of PAC reports and directives into English, particularly to facilitate the PAC's international collaboration with other PACs.	**Lead: PAC**	✔	✔	✔	PAC has published a Booklet in English in November 2003 informing about the PAC, works accomplished by PAC, and key directives of PAC. The title of the Booklet is "An Introduction to The Public Accounts Committee, House of Representatives, Nepal". PAC Secretary participated in a workshop organized by the World Bank for the PAC Chairman in Bangkok in November 2003. This workshop has endorsed for a need to create a Regional PAC Forum to exchange examples of good practices of PAC in the Region.
	5. **Strengthening of CIAA:** (a) Prepare plan for the phased establishment of regional CIAA offices. (b) Implement the agreed plan.	**Lead: CIAA** **Others: MOF**	✔	✔		CIAA has finalized and adopted its strategic plan approved in February 2003. This is the first strategic plan prepared by the CIAA.
	6. **Strengthening of CIAA:** Increase considerably the budgetary, physical, human and technological resources available to the CIAA.	**Lead: CIAA** **Others: MOF** **Support: Donors**	✔	✔		The strategic plan has addressed this issue. The plan will be implemented by the CIAA.
	7. **Improved Coordination:** Improve coordination of CIAA activities with those of other anti-corruption agencies.	**Lead: CIAA**	✔	✔		CIAA has been coordinating with other anti-corruption agencies which include Transparency International, OAG, etc.

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F. Reduce Fiduciary Risks on Project Funds.	1. **Harmonization of Procedures:** Harmonize HMGN's reporting system to "one reporting system" which satisfies the requirements of HMGN and other development partners; in order to effect this, review and make necessary revisions to Schedules 2, 3 and 5 from the FAR, 1999 and other reporting forms.	**Lead: FCGO** **Others: MOF, OAG** **Support: Donors**		✔		FAR second amendment has incorporated revisions of Schedules 2 and 5, and Schedule 3 has been repealed. This now provides the basis for adopting one reporting system. Currently, HMGN is working with various donor partners for Education sub-sector program harmonizing the process under one reporting system adapting to government's system.
	2. **Competitive Selection Process:** Develop selection criteria and parameters for selection of project managers/coordinators on the basis of technical and managerial competence.	**Lead: MOGA** **Others: MOF, PSC, Line Ministries**	✔			
	3. **Placement of Accounts Staff in Development Projects:** Adopt and strictly enforce a concrete policy about the placement of accounts staff in development projects (the underlying principles of such a policy are that only competent and appropriately trained staff are placed in development projects; transfers will not be made on an ad hoc basis but will follow HMGN's Civil Service Rules; and proper hand over and continuity will be assured).	**Lead: FCGO** **Others: MOF, MOGA, Manager in Line Ministry**	✔	✔	✔	This is strictly being followed by FCGO.

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	4. **Capacity Building:** Orient/train all project managers/coordinators and accountants in project financial management, procurement and disbursement <u>before</u> they are assigned to projects (if they have no exposure to project financial management).	**Lead:** **FCGO** **Support:** **Donors**	✔	✔		
	5. **Capacity Building:** Prepare a scheme to encourage and enroll competent accounting staff in the public sector who are likely to be posted to projects, in professional accounting courses or in Chartered Accountants preparation courses, or financial management courses.	**Lead:** **FCGO** **Support:** **Donors**	✔	✔		Regarding human resource development, a study is underway internally to develop a comprehensive manpower development program for FCGO.
G. Strengthen Private Sector Accounting and Auditing Standards	1. **ICAN Strategic Plan:** Agree on a realistic role, functions and program for ICAN vision and reflect these in a Mission Statement and Strategic Plan, including financial projections.	**Lead:** **ICAN** **Others:** **MOF,** **OAG**	✔			ICAN strategic plan has been prepared under ADB's technical assistance. Financial plans are yet to be finalized, and ICAN is discussing with ADB for further assistance.
	2. **HMGN Grant to ICAN:** Agree on a reasonable time-frame for an appropriate level of guaranteed budgetary support on a grant basis to ICAN, after which ICAN should be financially independent.	**Lead:** **ICAN,** **MOF**	✔			MOF has asked ICAN to provide Financial Projection for 10 years, to review the need for budgetary support. ICAN has requested ADB's financial assistance. ADB has already responded showing their consent for providing assistance to prepare financial projection for 10 years.

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	3. **Study on the Supply and Demand of Accountants and Auditors:** Organize and grant finance a study on the current and projected supply and demand of accountants and auditors in Nepal.	**Lead: ICAN** **Others: FCGO, OAG** **Support: Donors**	✔			(Related Development) The long outstanding issue of repealing the Auditors' Act 1974 to stop the licensing of auditors by the OAGN, and to pass this responsibility to ICAN, has been approved by HMGN, and this is reinforced effective July 16, 2002. HMGN has notified in the Nepal Gazette that the Sections 29 and 49 of the Nepal CA Act 1997 (first amendment, 2002) has been activated from July 16, 2002. Thus the Auditors' Act, 1974 has been repealed and ICAN has been entrusted with full autonomy and full authority over regulating the accounting profession in Nepal. HMGN has amended the Nepal CA Act, 1997 and notified in the Nepal Gazette (date July 8, 2002 – Asar 24, 2059). The amendment includes provisions of Accounting and Auditing Standards Boards, Accounting Technicians and continued professional education for members. ICAN is preparing a proposal for donor support to help with the study.
	4. **Amendment to Company Act, 1997:** Amend the Company Act, 1997 to require all companies to apply Nepal Accounting Standards based on IAS.	**Lead: MOF** **Others:** MOICS	✔			The draft Companies Ordinance is in the final stage of submission to the Cabinet for approval. Exposure drafts of 15 Accounting Standards and 10 Auditing Standards have been issued.
	5. **ICAN Membership of IFAC:** Establish links with IFAC designed to move ICAN towards early IFAC membership.	**Lead: ICAN**	✔	✔		IFAC has provided the **Associate Membership** to ICAN in November 2003.

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	6. **ICAN Capacity Building:** Establish a "twinning" relationship between ICAN and well-established IFAC-member Institute whose experience and capacity building can benefit ICAN.	**Lead: ICAN** **Support: Donors**		✔		In principle, ICAN has agreed with the concept and is now developing the Rules to bring in foreign accounting profession as per WTO Rules/Regulations.
	7. **Capacity Building:** Prepare and implement a plan to upgrade the skills of Registered Auditors.	**Lead: ICAN, OAG**	✔	✔		HMGN through publication of notification in Nepal Gazette has asked ICAN to develop courses for Accounting Technician. ICAN created a private company for this purpose under the name of Nepal Accounting Technician Institute (NATI) in April 2003. NATI is currently developing curriculum for accounting technicians. Once ICAN approves the curriculum, the courses for accounting technicians will begin intended to upgrade the skills of the registered auditors. ICAN has prepared a Manual for this purpose, and has conducted six trainings. Training will be regularly conducted after completing the study of supply and demand of accountants and auditors. ICAN is also planning to introduce CPE program.
	8. **Code of Ethics:** Finalize and issue a Code of Ethics and establish a Disciplinary Committee for ICAN members.	**Lead: ICAN**	✔			The code of conduct was approved on July 11, 2003, and will be effective from January 15, 2004. ICAN has already published its Code of Ethics in July 2003, and has widely disseminated.
	9. **Peer Review System:** Introduce a system of peer review among accounting and auditing firms in Nepal.	**Lead: ICAN**		✔		ICAN is considering to introduce the peer review concept in its revised strategy plan. This is also being proposed to incorporate in ICAN's Rules, and the amendment of ICAN's Strategy Plan.

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			2002/03	**2003/04-2006/07**	**2006/07+**	
	10. **Networking Commercial Banks with NRB:** Link all banks electronically to NRB to facilitate and accelerate data reporting and exchange.	**Lead: NRB** **Support: Donors**		✔		This work has already been initiated and is expected to be completed by FY2004/05. So far, out of 17 banks, NRB has on-line link with 7 commercial banks (NABIL, Nepal Investment Bank, Everest Bank, Nepal Industrial and Commercial Bank, Kumari Bank and Siddhartha Bank) to obtain data electronically. Two public owned banks, Nepal Bank Limited and Rastriya Banijya Bank, are planned to be computerized under the Financial Sector TA Project. Under the same project, NRB will also be computerized. NRB will also explore to network with FCGO for macro economic and revenue data. This will enable HMGN to report on time with regard to revenue progress.
	11. **Impose Sanctions:** Impose penalties on cooperative societies, unions, and their directors conducting saving and credit business without NRB approval.	**Lead: NRB**	✔			Cooperative societies and unions registered under Cooperatives Act are functioning without the approval of NRB. As there are huge numbers of such cooperative societies conducting saving and credit business, NRB feels that there is a need for an independent agency to regulate and supervise the operations of cooperative societies. DOC has currently stopped to register new cooperative societies. In order to inform the public about the institutions registered with NRB, NRB has been regularly publishing the list of institutions registered with NRB.
	12. **NRB Inspection:** Require regular NRB inspection of all saving and credit cooperatives and submission of monthly financial statements in approved form, from such societies to NRB.	**Lead: NRB**	✔	✔		Presently, NRB has provided licenses to 34 savings and credit cooperatives to perform limited banking transactions. These institutions are reporting on a monthly basis in the prescribed NRB format. NRB also periodically inspects and supervises these institutions.

Key Action	Sub-actions	Responsibility	Timing (Fiscal Year)			Progress Update
			Priority	Medium-term	Long-term	
			2002/03	2003/04-2006/07	2006/07+	
H. Strengthen the Regulation and Monitoring of Non-Governmental Organizations, Local (NGOs), and International (INGOs).	1. **Formulation of Policies:** Formulate and enforce appropriate policies to streamline and strengthen the NGO's administrative and functional accountability, transparency and effectiveness.	**Lead:** **SWC** **Others:** **NPC, MOF MWCSW**	✔			Some delay observed due to change in officials in SWC. SWC is reviewing the CFAA recommendations and is preparing action plan to implement its recommendations. TOR for strengthening and monitor of NGOs is being prepared. In the absence of Parliament, the draft act may delayed.
	2. **Enactment of Legislation:** Enact legislation as suggested in Chapter XII (para 12.18 b) recommendations to implement the policies formulated in (1) above.	**Lead:** **MWCSW** **Others:** **SWC**	✔			Necessary instructions have been given to the SWC for the necessary action after making discussions in the ministry.
	3. **SWC Capacity Building:** Strengthen the SWC, and the SDC (if created), by restructuring its internal organizational analysis which is recommended to be carried out separately.	**Lead:** **SWC** **Support:** **Donors**		✔		
	4. **Audited Accounts of NGOs:** Require all NGOs and INGOs to register and file annual audited statements, with the SWC (or the SDC, if created).	**Lead:** **SWC**	✔			SWC is working towards enforcing this as policy.
	5. **Enactment of Legislation:** Enact whatever legislation or other statutes are required to implement sub-actions (1) to (4) above.	**Lead:** **SWC** **Others:** **MWCSW**	✔			In progress, through interaction with relevant Ministries.

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Key Action	Sub-actions	Responsibility	Timing (Fiscal Year)			Progress Update
			Priority	Medium-term	Long-term	
			2002/03	2003/04-2006/07	2006/07+	
I. **Implement the Development Action Plan**	1. **National Steering Committee:** Continue the National Steering Committee as a sub-committee under a Reform Monitoring Committee (RMC) to monitor and report on DAP implementation (the committee should have representation from HMGN, the private sector, and development partners).	**Lead:** **MOF**	✔	✔		Final CFAA (dated July 5, 2002) was officially endorsed by HMGN on August 9, 2002. HMGN posted the CFAA in MOF website www.facd.gov.np on August 16, 2002. National Steering Committee formed to work under the Reform Monitoring Committee to monitor the implementation of the DAP. HMGN decided to retain the same committee, and we were informed to this effect on September 5, 2002. The first meeting commenced on September 23rd under the chairmanship of the Financial Comptroller General.
	2. **Periodic Meetings:** Hold quarterly meetings of the RMC to review progress of implementation of DAP.	**Lead:** **MOF**	✔	✔		The RMC has not yet been formally constituted.

Key Action	Sub-actions	Responsibility	Timing (Fiscal Year)			Progress Update
			Priority 2002/03	Medium-term 2003/04-2006/07	Long-term 2006/07+	
	3. **Progress Reporting:** Report implementation progress to the Nepalese public, the Finance Committee of the Parliament and development partners at pre-determined intervals.	**Lead: MOF**	✔	✔		The Sub Committee has already decided to keep progress status on Development Action Plan of CFAA in the website so that all stakeholders including development partners could familiar with the progress. Progress report was posted in the government website on July 29, 2003. The website address is: http://www.mof.gov.np/new.php The second update as currently presented is being posted in December 2003.
	4. **Progress Monitoring:** Report to the PAC on progress of implementation of the DAP, and recommend appropriate sanctions against non-implementers. PAC to demand HMGN sanctions against non-implementers.	**Lead: MOF** **Others: PAC**	✔	✔		Since there is no PAC now, no reporting on this section.
	5. **Report to NDF:** Report on progress of implementation of the DAP to each meeting of the Nepal Development Forum.	**Lead: MOF**	✔	✔		

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