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ACTION PLANS

Accounting Standard Issues	Current status	Action required to be taken to move towards international standards
STATUTORY FRAMEWORK FOR ACCOUNTING		
1. Does the Public Sector Accounting Law adopt IPSAS?	A statement of cash receipt and payment as per the Cash Basis IPSAS can be prepared using existing information. Some technical assistance will be needed.	OAG should approve the implementation of IPSAS on recommendation of FCGO under existing Law.
EDUCATION AND TRAINING FOR ACCOUNTANT COMPETENCE		
2. Does the education and training of accountants conform to IFAC International Education Standards?	No. Accounting staff recruitment should require special arrangements rather than the standard general entry. Existing accounts cadre staff are not exposed to IPSAS.	A steering committee to be formed under the chairmanship of the Finance Secretary and having representation from FCGO, Ministry of Education & Sports, ICAN, Accounting Standards Board, and Auditing Standards Board to discuss training and education issues and recommend appropriate strategies to comply with IFAC standards. Discussion should also focus on capacity building of the existing accounts cadre.
CODE OF ETHICS		
3. Does the Code of Ethics match international standards?	A code of conduct for accountants based on IFAC or ICAN codes is needed and should be incorporated in relevant laws.	FCGO and MoGA in coordination with ICAN should take lead role to draft code of ethics.
SETTING ACCOUNTING STANDARDS		
4. Is there a body to prescribe public-sector accounting standards?	The Nepal Accounting Standards Board should be empowered to set up standards for the public sector. The Auditor General should issue directives to SOEs to adopt NAS and other international standards as necessary.	A Steering Committee, as referred above, will also facilitate and coordinate resources to the Nepal Accounting Standards Board for formulation and implementation of Public Sector Accounting Standards. The existing Law is to be amended to empower the Nepal Accounting Standards Board to formulate Public Sector Accounting Standards.



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FINANCIAL REPORTING		
5. Are the financial statements in accord with the IPSAS standard?	No. The Government of Nepal should develop a plan for the medium-term to move toward improving the existing cash-based system to Cash Basis IPSAS with additional voluntary disclosure (e.g., un-drawn borrowings, liabilities, and outstanding advances).	
6. Is the statement of cash receipts and payments in IPSAS form?	For immediate implementation, the Government could learn from the experience of Sri Lanka in adopting Cash Basis IPSAS. For this, the Government could form a core team for a study visit to Sri Lanka and then apply possible changes in the existing accounting system. Disclosures are not in line with IPSAS.	For the remaining actions the Nepal Accounting Standard Board will assist the MoF to take the necessary steps to implement the proposed activities.
7. Are accounting policies and explanatory notes required?		
8. Are other disclosures in accord with IPSAS?		
9. Does the government issue a consolidated financial statement which consolidates all controlled entities?	This should be reviewed only after the general budget sector has been reported according to Cash Basis IPSAS.	

Auditing Standard Issue	Current status	Action required to be taken to move towards international standards
STATUTORY FRAMEWORK FOR AUDITING		
1. Is the SAI statutory framework in accord with the needs of the INTOSAI Auditing Standards?	Broadly yes, but some deficiencies need to be corrected.	The Audit Act needs to be amended in accordance with the model laws described in this report.
SETTING AUDITING STANDARDS		
2. Is there a body to prescribe public sector auditing standards?	The Auditor General does this.	The Nepal Auditing Standards Board should be empowered to set public sector auditing standards.

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3. Have INTOSAI and IFAC audit standards been adopted?	INTOSAI Auditing Standards have been adopted.	A plan needs to be developed to gradually adopt the NSA/ISA.
4. Has a code of ethics equivalent to the INTOSAI standards been adopted?	Yes.	There is some concern that the existing code of conduct is too rigid and unrealistic in implementation, this may deserve review. OAG needs to take action on this.
ENSURING INDEPENDENCE OF THE AUDITOR		
5. Is the accountability process in the SAI in accord with INTOSAI Auditing Standards?	Yes.	No action needed.
6. Does the SAI legal framework meet the INTOSAI standards for independence and powers?	Broadly.	The Audit Act needs to be considered for amendment to provide for, inter alia, more involvement of the legislature as regards arrangements for the appointment of the Auditor General and audit reporting, as set out in the model legislation referred to in this report.
TRAINING AND AUDITOR COMPETENCE		
7. Does the education and training of auditors conform to INTOSAI and IES standards?	Broadly, but there is room for improvement.	Recruitment and continuing professional education processes should be revised by the OAG.
8. Is the SAI equipped with the audit methods and technologies to meet the INTOSAI Auditing Standards?	Broadly, but more resources are needed.	Computer-assisted audit technology and other technological audit techniques need to be applied within OAG for conducting the audit of entities having computer-based accounting systems.
QUALITY ASSURANCE		
9. Does the SAI have the quality assurance programs to meet the international standards?	Yes, but implementation needs improvement.	Action is to be taken by the OAG as per the recent peer review of its work.

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AUDIT PLANNING AND CONDUCT		
10. Do the processes for planning, supervision, evaluation of internal control, assessment of compliance with laws and collection of audit evidence for the audits meet international standards?	Partially.	The new methodologies recently developed need to be implemented through a training program.
AUDIT REPORTING		
11. Does the audit analyze the financial statements to establish whether acceptable accounting standards for financial reporting and disclosure are being complied with?	Yes, in the case of SOEs and project financial statements being submitted to the MoF.	Audit opinions need to be more specific in accordance with INTOSAI standards.
12. Does the auditor prepare an audit opinion on the financial statements in a form that accord with international standards?	Not in the case of the AG's Annual Report. Partially, in the case of specific audit reports provided to SOEs and project financial statements being submitted to the MoF.	The OAG should issue an audit report giving reference to the financial reporting framework used to prepare the financial statements and expressing an opinion on the complete set of financial statements of the Government budget sector and the fully owned SOEs.
13. Does the consideration of fraud and error in an audit of financial statements accord with international standards?	Broadly Yes.	More systems-based auditing would be an improvement.
14. Are the Auditor-General's reports made public?	Yes, but with delays.	Process and time allowed for publications should be laid down in the Law, as per the proposals in the model audit legislation.
RESPONSE TO AUDIT REPORTS		
15. Is the process for taking action on audit recommendations sufficiently effective to meet international standards?	No. In the absence of PAC for four years, it was not possible.	Line ministries should form a separate cell or unit to monitor take actions taken to resolve on audit recommendations.

