

**THE FINANCIAL PROCEDURES AND  
FISCAL RESPONSIBILITY ACT, 2076**

Nepal Law Commission

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AN ACT TO PROVIDE THE FINANCIAL PROCEDURES & FISCAL  
RESPONSIBILITY

Date of assent

2076|06|24

No. 10 of the Year 2076

Preamble: It is expedient to make necessary provisions relating to the federal fiscal management system accountable, transparent, result-oriented & responsible, to keep & maintain the stability of the macro-economic structure, and to regulate as well as make efficient the financial procedures of the Federation, the Province and the Local Level, adopting efficient methods of operation and management of the federal consolidated fund & other governmental funds, budgeting, apportionment and disbursement thereof as well as accounting and reporting measures of the financial transactions, the internal control system, the audit systems and other fiscal activities, and matters connected therewith or incidental thereto;

BE it enacted by the Federal Parliament of Nepal.

Chapter –1

Preliminary

1. Short title and commencement: (1) This Act may be cited as the “Financial Procedures & Fiscal Responsibility Act, 2076”  
(1) This Act shall come into effect at once.
2. Definitions: in this Act, the context otherwise provides—
  - (a) “final audit” means an audit that is carried out by the Office of the Auditor General in accordance with article 141 of the Constitution;

- (b) “grant symbol” means a sign given to a nature of work, including the constitutional bodies, ministries, secretariats and commissions with powers equivalent to the ministry;
- (c) “sums recoverable” irregular payment, in which it has been reported during the audit that the amount in question be recovered as it cannot be paid at the time of payment, or the excess payment has been made or an inadequate amount has been recovered, and this word also includes the amount that has been misused or misappropriated as well as other amount to be payable to the Government of Nepal;
- (d) “internal audit” means reporting procedure by examining and evaluating relevant legislation, management practices, accounts, other transactions and associated documents and processes related to the purpose of the office, as well as a comprehensive assessment of the internal control system by the District Treasury Office and the Provincial Treasury Office;
- (e) “fiscal year” a calendar year of 12 –month starts from the first day of *Shrawan* of the current year and ends on the last day of *Ashad* of the following year of *Vikram Samvat*;
- (f) “immediate superior officer” means an appropriate director-general for any office, an appropriate secretary for any department, a minister or minster for state, as the case may be, for a secretary of the

ministries, secretariats & commissions, and the chief in the case of constitutional bodies;

- (g) “office” means office of the President, office of the vice-president, secretariat of Federal Parliament, constitutional bodies, commissions, office of the province chief, courts, office of the attorney general, offices of the Nepal Police, Armed Police Force, Nepal, including all offices of the Federal, Province and Local Level;
- (h) “chief of office” means any official or person designated to act as administrative chief of an office;
- (i) “transaction” means all activities in relation to expenditures or earnings that are used in a specified work in accordance with the prevailing law, taking hold of movable, immovable property, the cash or in-kind; this word also includes fiscal transfer, revenue collection & payment, grants and loans acquisition, expenditure and surety, the works operation fund, including all financial transactions related to other funds;
- (j) “treasury control office” means the treasury control office under the Financial Comptroller General Office;
- (k) “person-in charge” means a person, as authorized by an accounting officer under this Act, who performs works related to public money (in the cash or in-kind), or takes control, disburses, keeps accounts related to public money, or prepares a

report, makes correction of irregular payments by causing to have audited, and recovers or causes to recover thereof; the word also includes a non-governmental person who is also responsible for carrying out such public works with or without receiving public money (the cash or in kind);

- (l) “superior office” means an office higher than the relevant office;
- (m) “prescribed or as prescribed” means prescribed or as prescribed in the Act or the rules made thereunder;
- (n) “province treasury controller office” means an office held responsible to operate the province consolidated fund, to issue directions to run financial administration of the province, to prepare or cause to prepare province accounts, to carry out or cause to carry out internal audit, and to prepare consolidated financial statements and submit the same to the Financial Comptroller General Office and the Office of the Auditor General;
- (o) “irregularity” is a transaction which is revealed during the audit that has been carried out in violation of the procedures outlined in the appropriate law, that the required accounts have not been maintained, or that it has been carried out in an irregular or improper manner;
- (p) “bank” means the *Nepal Rastra Bank*; this word also includes any commercial bank designated by

the *Nepal Rastra Bank* which is authorized to exercise its powers;

- (q) “ministry” means appropriate ministry of the Government of Nepal;
- (r) “Financial Comptroller General Office” means an entity being in charge of operating and managing the federal consolidated fund and any other governmental funds, reporting governmental property—both movable and immovable—by keeping records thereof, supervising and directing the financial administration and conducting internal audits or causing them to be conducted, and preparing consolidated financial statements of the Federal, Provincial and the Local Level under this Act and the rules made thereunder;
- (s) “planning commission” means the National Planning Commission;
- (t) “accounting officer” means a secretary—who is in charge of administrative chief—to run financial administration of its own office and below thereof, prepare annual budget and delegate its powers to cause budget released and spend, keep or cause to be kept records of accounts, prepare or cause to be prepared financial reports, audit or cause to be audited appropriation, revenue and surety amounts, plus the in-kind, regularize or cause to be regularized, recover or cause to recover or clear off or cause to clear off the irregular amounts, and attain or cause to be attained such results as per the

goals determined by the annual budget and program;

- (u) “accounts” means a journal voucher designed for an initial entry of transactions in accordance with the prevailing law and records, accounts, books, etc. to be kept on the basis thereof, and evidence to substantiate such transactions, and particulars and statements that are prepared therefrom; this word also includes electronic records are stored in electronic form or substantiated thereof;
- (v) “appropriation” means moneys appropriated for expenses under different line items of the specified services and works of the various offices in accordance with the Appropriation Act, Vote of Credit Act or Vote on Accounts Act; this word also includes moneys appropriated in accordance with a Supplementary Appropriation Act or Vote of Credits Act;
- (w) “fiscal accountability” means accountability and answerability for changing the financial performance, maintaining the fiscal discipline, transparency, and the accountability, and also responsible for the results and compliance thereof;
- (x) “financial statement” means a report prepared in the prescribed accounting form adopted by the Government of Nepal under the Nepal Accounting Standards for the purposes of showing an aggregate financial position of transactions with line item thereof carried out in a particular period



of time; it also includes a statement that shows incomes and payments, including an estimation of budget prepared with its line items of transactions, its release, expenditure, income, receipt, and arrears;

- (y) "federal consolidated fund" means the Federal Consolidated Fund set up in accordance with article 116 of the Constitution;
- (z) "secretary" means secretary of the ministries, and it also includes secretary or chief of the constitutional bodies and entities, as well as central secretariats and commissions of the Government of Nepal, and the Financial Comptroller General Office;
- (aa) "follow-up audit" means a reconciliation made based on evidence and documents attached with explanation and response to irregularities reported in the internal or final audit report; it also includes reconciliation materialized in line with an advice or direction provided by the Public Accounts Committee of the House of Representative;
- (bb) "public position" means a position with public functions, duties and powers recognized by the law for the purposes of discharging functions and duties and exercising the authority, either salaried or not, to be appointed, or elected, or nominated in any manner;
- (cc) "constitution" means the Constitution of Nepal;

- (dd) “local consolidated fund” means the Local Consolidated Fund set up in accordance with article 229 of the Constitution.

## Chapter –2

### **Operation of Federal Consolidated Fund and consolidated financial statement**

3. Operation of Federal Consolidated Fund: (1) Subject to the Constitution, this Act and other prevailing law of Nepal, the Financial Comptroller General Office shall cause to operate the Federal Consolidated Fund.

(2) It shall be the duty of the Financial Comptroller General Office to keep up-to-date of the accounts of the Federal Consolidated Fund and prepare an annual report therefrom.

(3) The Financial Comptroller General Office may assign a charge to any office or bank for the operation of the Federal Consolidated Fund or any other governmental funds.

(4) It shall be the duty of such an office or bank to observe or cause to observe the responsibility as referred to in sub-section (3).

(5) Any other matters concerning the operation of the Federal Consolidated Fund and any other governmental funds shall be as prescribed.

4. Financial Statement of Province and Local Level: (1) The Local Level shall require to prepare a report, incorporating the grants made available to the offices under their control by the

Government of Nepal and appropriate Province Government, moneys receipt under the allocation of revenues, internal incomes, loans, and grants, as well as expenditures, and submit the same to the Province Treasury Control Office and the Financial Comptroller General Office.

(2) The Province Treasury Controller Office shall require to prepare a report incorporating the grants made available to the offices under their jurisdiction by the Government of Nepal and moneys receipt under the allocation of revenues, internal incomes, loans, and grants, as well as expenditures of appropriate Province Government, and an consolidated financial statement of all Local Level within the Province based on the report received under sub-section (1) and submit the same to the Financial Comptroller General Office.

(3) The report referred to in sub-sections (1) r or (2) shall require to prepare in a form as may be prescribed by the Office of the Auditor General.

5. Consolidated Financial Report to be Prepared: (1) It shall be the duty of the Financial Comptroller General Office to prepare a consolidated financial report based on the financial statements of the Federal Consolidated Fund, the Province Consolidated Fund, the Local Consolidated Fund and other governmental funds, if any.

(2) The Federal, the Province and Local Level shall require to prepare a report in a form of accounting standards adopted by the Government of Nepal.

(3) ) The District Treasury Controller Office shall require to prepare a report incorporating the grants made available to the offices under its competency by the Government of Nepal and appropriate Province Government, and moneys receipt under the allocation of revenues, internal incomes, loans, and grants, as well as expenditures of appropriate Province Government, and an consolidated financial statement of all Local Level within appropriate Province based on the report received under sub-section (1) of section 4 and forward the same to the Financial Comptroller General Office.

(4) The report under sub-section (3) shall be required to prepare in a form as approved by the Office of the Auditor General.

(5) The Financial Comptroller General Office shall require to prepare a consolidated financial report based on the reports received under sub-section (3) and sub-section (2) of section 4 and forward the same to the Ministry of Finance.

(6) The Ministry of Finance shall require to make public of such consolidated report received under sub-section (5) within the last day of the month of *Paush* each year.

(7) Any other matters concerning the preparation of a consolidated financial report and making it public shall be prescribed.

## Chapter– 3

### Estimation of Revenue and Expenditure

6. Medium –Term Expenditure Framework to be prepared: (1)

The Planning Commission shall require to prepare a medium-term expenditure framework of each three's period based on the period plan in every year.

(2) Each Ministry shall require to prepare a ministry-specific medium-term expenditure framework with a projected expenditure for the subsequent three year, based on the period plan, sectoral policies and programs and submit it to the Planning Commission and the Ministry of Finance.

(3) The Planning Commission shall require to prioritize each project or program in the medium-term expenditure framework as specified in sub-section (2), specifying aggregate finance framework for the next three year, a framework of budget and expenditure and results therefrom, together with a description of each activity for proposed projects or programs, per unit estimated costs, and an estimated time to be required and results to be attained therefrom;

Explanation: for the purposes of this section “a proposed project or program” means a project or program for which a feasibility study or a detailed study report has been prepared, as the case may be, or of which is registered in a project bank under a category that can be implemented by conducting a feasibility study.

(4) Any other matters concerning a medium-term expenditure framework shall be prescribed.

7. Estimation of fiscal resources and expenditure ceiling to be determined: (1) For the purposes of formulating a medium-term expenditure framework and budget as well as programs for the next fiscal year, the Planning Commission, in coordination with the Ministry of Finance, shall prepare an appraisal of fiscal resources available and expenditure ceiling for the subsequent three years, within 15<sup>th</sup> day of *Magh* of the current fiscal year.

(2) For the purposes of sub-section (1), there shall be a National Funds Estimate Committee chaired by Vice-chairperson of the Planning Commission.

(3) The National Funds Estimate Committee under sub-section (3) shall estimate a cumulative national funds available in the Federal, the Province and Local Level for the next three years based on projected investments and fiscal necessity.

(4) In estimating fiscal resources in accordance with sub-section (3), such shall be done objectively based on aggregate fiscal indicators of the entire period of last fiscal and six months of the current fiscal year, revenues to be collected in the following fiscal years, development grants and internal loans, including money to be deposited into the Federal Consolidated Fund.

(5) Expenditure ceiling shall be fixed considering the medium-term expenditure framework of the current fiscal year

once estimating the fiscal resources in accordance with sub-section (3).

(6) The arrears payable to obligations and commitments assumed in accordance with section 12 shall be included in the expenditure ceilings to be fixed under sub-section (5), without having a negative effect on the over-all fiscal stability.

(7) The Funds Estimate Committee shall require to submit the report on estimation of fiscal resources, and expenditure ceiling prepared in accordance with sub-sections (3) and (5).

(8) Any other matters concerning the structure of the Funds Estimate Committee, its other functions, duties, and powers, as well as determination of expenditure ceiling shall be as prescribed.

8. Budget Ceiling and Guidance to be provided: (1) Subject to the fiscal resources and expenditure ceiling fixed by the Funds Estimate Committee under section 7, The Planning Commission shall send appropriate ministries, commissions, secretariats or entities budget guidance and framework, together with budget ceiling, and medium-term expenditure framework for the next three years at the end of *Magh* month of the current fiscal year.

(2) In defining a framework for the preparation of budget under sub-section (1), all necessary matters shall be presented based on revenues to be collected by an appropriate entity, foreign grants and loans related to a project or program,

expenditure norms planned for the relevant line items of expenditure for reasoning the budget.

9. Proposal of budget and discussion: (1) In accordance with the budget ceiling and guidance under section 8, each appropriate accounting office shall prepare the next year's budget proposal, together with policies and programs of its office as well as its branch offices or entities, in a prescribed form within a time as prescribed in the budget ceiling and guidance and send it to the Planning Commission and the Ministry of Finance.

(2) The following procedures shall be followed in formulating a proposal of budget under sub-section (1), namely—

- (a) to prepare budget proposal on the basis of the works as referred to in the Government of Nepal (allocation of business) Rules, 2064 for each appropriate ministry, the existing policies and programs of the Government of Nepal, and the objectives, policies and programs as stated in the periodic plan;
- (b) to specify the projects, programs or activities prepared taking into account of the medium-term expenditure framework in accordance with section 6 and to determine an estimated cost and required resources therefore based on the expenditure norms;



- (c) to propose an estimated budget for the ensuing fiscal year, and to forecast costs, including obligations arising for the subsequent two fiscal years afterwards and the necessary fiscal resources therefore;
- (d) to propose sums payable in the next year out of the obligations arise owing to the multi-year procurement plan and special circumstances and the arrears to be paid;
- (e) to prepare a budget proposal, evaluating the costs and benefits of programs supporting the achievement of sectoral goals and objectives specified in the period plan;
- (f) to propose budget for projects, which are listed into the project bank;
- (g) to include financial and physical progress of the previous fiscal year, and six months of the current fiscal year.

(3) The Planning Commission shall require to hold a discussion on the proposed budget and targets and results received in accordance with sub-section (2), feasibility study reports, environmental studies, detailed studies, norms, drawings and designs, including documents regarding approval of projects, lands acquisition, a time table for implementation of projects, procurement masterplans & annual procurement plans as well the projected outcomes of the projects in the presence of the accounting officer or any

representative designated by him and submit it prepared in this manner to the Minister for Finance.

(4) The discussion to be held at the Ministry of Finance in the presence of the accounting officer or an officer designated by him shall be focused on the report under sub-section (3), in addition to the cash flow plan, basis of revenue forecast, time to obtain revenue, contribution in revenue flow, including each subject of resource, expenditure line, activity.

(5) There shall be a budget committee chaired by the accounting officer to coordinate activities in relation to the preparation of programs and budget under the ministry or entity, and determine expenditure norms therefore.

(6) The structure, functions, duties and procedures of the budget committee under sub-section (5) shall be as prescribed.

10. Appropriation of Budget: (1) The Ministry of Finance shall present a proposition of budget for the next fiscal year based on the budget discussion held in accordance with section 9 as well as appraisal and analysis of the programs therefore, namely—

- (a) while proposing budget for a regular and capital expenditures as well as fiscal arrangements, to submit a statement to ensuring budget with reasons and basis therefore, including policies and matters as specified in law, treaties, agreements, expenditure norms and social

activities, and priority of state, targets, and outcomes of an organization;

- (b) while proposing budget for a new project or program, and if it capital-intensive, to propose the sums which may be used in the next fiscal year based on the feasibility study report;
- (c) to propose necessary sums in order to realize the action plan and outcomes for the next fiscal year based on evidence of the approval of regular program, procurement masterplan, annual procurement plan, or contract in the case of a project with a feasibility study approved, and executing on a regular basis;
- (d) in proposing budget for a project or program, to propose them to achieve better outcomes or results, and having added comparative advantages and social paybacks;
- (e) to propose budget based on expenditure norms as prescribed.

(2) While proposing budget in accordance with sub-section (1), an adequate budget for a new project and program shall be proposed only after setting off enough sums for liabilities and commitments incurred under section 12 for salaries, allowances, and administrative overchiefs, including et.al.

(3) The capacity with the use of budget shall be taken into account in appropriating budget under this section.

11. Principle and priority of budget and program: (1) The Minister for Finance shall lay a statement of budget in Federal Parliament, specifying the principle of budget as well as priority of projects or programs to be specified in the upcoming budget 15 days prior to laying it before the Federal Parliament for each fiscal year.

(2) Subsequent to laying the principle of budget and priority of the projects or programs as stated in sub-section (1) in Federal Parliament, it may relate the Ministry of Finance any suggestions or instructions, if any, cause to include or remove any matters therefrom within seven days of such tabulation, as deemed necessary, or include or remove any matters therefrom.

(3) Even in cases where there is no any suggestions or instructions relate to the Ministry as specified in sub-section (2), it shall not be barred to provide the budget and programs with their last touch.

(4) Prior to preparation of budget estimates (revenue and expenditure) for the next fiscal year, the Ministry of Finance shall consult, as necessary, with experts or stakeholders on the principle and priorities of the budget and programs that will be submitted in Federal Parliament.

12. Managing intended liabilities and commitments: (1) The Ministry of Finance shall require to maintain clear books of records of the sums payable for fiscal liabilities under the federal law, international treaties/agreements to which Nepal is a party, judgements/orders of the courts, or leave of revenue.

(2) No any ministry shall express its commitment of expenditure for multi-year liabilities without the Ministry of Finance's consent.

(3) Any other matters concerning the management of intended liabilities and commitments to be assumed by the Government of Nepal shall be as prescribed.

13. To prepare estimate of revenue and expenditure: (1) The Ministry of Finance shall include the matters into the estimate of revenue and expenditure, namely:-

- (a) Whether or not the projected revenues were collected in the previous fiscal year, or the allocated budget to each ministry was expended and the targets was achieved as per the expenditures;
- (b) The medium-term expenditure framework in accordance with section 6;
- (c) A description of programs that each line item of expenditure be funded by the resources of the Government of Nepal, foreign aids or internal loans;
- (d) A projection of revenues and expenditures for the next three fiscal years;
- (e) A description regarding loans, investments and liabilities;
- (f) A fiscal policy that specifies a strategy to be applied for maintaining fiscal balance;
- (g) A macro-economic economic condition, which explains growth rate of the gross domestic

products in the next three fiscal year, balance of current accounts, balance of payments;

- (h) A description of tax or non-tax exemption given;
- (i) A description of foreign aids received in the previous fiscal year.

14. To lay estimate of revenue and expenditure: (1) The Minister for Finance of the Government of Nepal shall, in respect of every fiscal year, lay before the joint sitting of both Houses of the Federal Parliament an annual estimate of revenues and expenditures prepared in accordance with section 13 and an appropriation bill on the 15<sup>th</sup> day of Jestha (mid May) each year.

(2) The Minister for Finance shall lay an economic survey before the Federal Parliament prior to laying the estimate of revenues and expenditures in accordance with sub-section (1).

15. To lay deficit budget: (1) The estimate of revenues and expenditures to be laid in accordance with section 14 shall be tabled as deficit budget, as necessary.

(2) In laying the deficit budget in accordance with sub-section (1), the bases of resources mobilization to cover such deficit budget shall clearly be stated.

(3) Notwithstanding anything contains elsewhere in this section, no deficit budget shall be laid to incur administrative costs.

16. Projection of macro-economic indicators: A projection of microeconomic indicators based on mobilization of revenues,

utilization of internal and external loans, and policy of overdrafts adopted by the Government of Nepal shall be as prescribed.

17. Classification of projects and projects bank: (1) With recommendation of the Planning Commission, the Government of Nepal shall make classification of projects to be carried out by the Federal, the Province and the Local Level.

(2) There shall be a national project bank with the Planning Commission.

(3) Appropriate ministry shall cause to entry projects into the project bank under sub-section (2) as per the criteria prescribed by the Planning Commission.

(4) Any other matters concerning the classification of projects, determination of bases and norms, and projects bank shall be as prescribed.

#### Chapter– 4

##### Budget Release, Expenditure and Control

18. Budget release: (1) Following the commencement of the Appropriation Act or a Vote on Accounts Act, a spending office may send such amounts as are specified in Schedule of the Appropriation Act based on approved budget lines and annual programs in accordance with this Act.

(2) In cases where the allocated funds are required to spend by more than one office, the appropriate ministry or entity shall require to provide a spending authorization to the

relevant offices or departments, together with intended results and outcomes plus funds apportioned within the seven days from the commencement of the Appropriation Act or a Vote on Accounts Act.

(3) Information on the spending authorization provided under sub-section (2) shall be provided to the Ministry of Finance, the Financial Comptroller General Office, and appropriate District Treasury Control Office.

(4) In cases where funds apportioned for any ministry or entity is required to transfer to another ministry or entity for the execution of a program thereunder, a spending authorization by the fund apportioned ministry shall be required to provide to the secretary of spending ministry or entity.

(5) The authorization assigning secretary under sub-section (4) shall be responsible as accounting officer, and the secretary who receives spending authorization shall assume the duties and responsibilities of both person-in charge as well as accounting officer.

(6) The funds apportioned or allocated to appropriate office shall be disbursed from the treasure single account or any other system as prescribed pursuant to the criteria issued by the Financial Comptroller General Office on the basis of payment release order of the said office out of the federal consolidated fund.

(7) The chief of appropriate office shall be held responsible for spending the funds once released in accordance



with the law, maintaining accounts, reporting, auditing, and settling the irregularities therefore.

(8) Any other matters concerning the release of government funds and payments as well as operation of funds shall be as prescribed.

19. Execution of budget and programs: (1) An accounting officer shall be held accountable if budget allocated to its office as well as offices under its control has not been able to spent in line with the set targets.

(2) Appropriate accounting officer and a person-in charge under its control shall be held accountable for the execution of the budget, subject to the approved budget and programs under the Appropriation Act or any other Acts.

(3) The officials stated in sub-section (2) shall require to execute the budget through a plan of action subject to directions issued by the Ministry of Finance and superior offices thereof.

(4) The plan of action stated in sub-section (2) shall include an annual procurement plan as prescribed, a description of cash flow, outcome indicators, and a table of timeline for execution.

(5) A chief of department or a person-in charge shall require to enter into a performance contract with the secretary, and a chief of office or a person-in charge with the chief of department for the execution of the budget and programs.

(6) In accordance with the terms and conditions outlined in the performance contract, the superior official may award a prize to such official or a person-in charge who has achieved extraordinary performances in the execution of such a contract.

(7) Any other matters concerning the norms relating to performance contract and award of prize shall be as prescribed.

20. Virement and funds transfer: (1) The Ministry of Finance may make virement, out of the underspent amounts, from one or more grant symbols to another for which additional fund is needed, within the scope as may prescribed by the Appropriation Act.

(2) The secretary of the relevant ministry may make virement of the funds from one-line item of budget under the current expenditure, where there is sufficient funding, to another in the same category within the parameters set by the Appropriations Act, and without changing the sources to cover the intended expenses, if it is determined that the funds allocated to the line items of current expenditure of the budget under the grant symbol of any ministry or its offices are insufficient.

Provided that funds required to cover liabilities for salaries, remunerations, allowances, dresses, foods, water and electricity tariffs, house rent as well as the capital expenditure shall not be transferred.

(3) Virement with regards to the capital and fiscal arrangements shall be made by the Ministry of Finance only.

(4) Subject to the Appropriation Act, the Ministry of Finance shall hold the right to transfer the fund to bear the expenses of one category to another and to change the method of payment.

(5) Any other matters concerning virement and funds transfer shall be as prescribed.

21. To freeze or control the budget and surrender: (1) Notwithstanding anything contains in section 18, the Ministry Finance may freeze or control, in full or in part of other amounts apportioned, except otherwise charged on the Federal Consolidated Fund, taking into accounts of the economic condition of the country and the amounts deposited into the Federal Consolidated Fund.

(2) The Ministry of Finance may freeze such budget in cases where the accounting officer has not allocated funds to be divided between different entities and offices under its control for the first quarter of the fiscal year. (3) In cases where any funds included in the Appropriation Act and the funds allocated to any programs therefrom is not spent during the second quarter of the fiscal or cannot be spent for the rest of the period, the accounting officer shall require such funds to surrender to the Ministry of Finance on the 15<sup>th</sup> day of Chaitra.

(4) In cases where any funds which is not surrendered under subsections (2) or (3), not allocated by the expenditure

of statement, or not spent during the second quarter of the fiscal year, or which cannot be spent for the rest of the period, the Ministry of Finance shall, on freezing such funds, cause to surrender them.

(5) In cases where the Ministry of Finance makes a request, in writing, to the line ministries to surrender the funds as specified in subsections (4), the accounting officer shall require to surrender such funds within seven days of such a request made so.

(6) The Ministry of Finance may make virement of the funds surrendered under this section to other approved projects or programs in accordance with section 20.

(7) Any other matters concerning the freezing and controlling of the budget shall be as prescribed.

22. Fiscal Transfer: The distribution of revenues accruing to the Federal Consolidated Fund between the Federal and the Province and the Local Level as well as the transfer of subsidy shall therefore be done through the Ministry of Finance in accordance with the prevailing law of Nepal.

23. Monitoring and evaluation of budget and program: (1) Appropriate minister and secretary shall be held responsible for carrying out the monitoring and evaluation of the projects or programs under their command as well as execution of the budget on a monthly and trimestril basis.

(2) When carrying out the monitoring and evaluation of budget under sub-section (1), it shall be required to review as to whether physical and financial progress has been

accomplished on the basis of the programs, plan of action, procurement plan, cash flow, etc., and also examined the details of happening such results.

(3) When carrying out the monitoring and evaluation of the budget under sub-section (1), the programs, line items of expenditure, spending of the funds, reimbursable amounts and mobilization of foreign aids, including collection of revenues shall be appraised, and the appraisal report be reported to the Ministry of Finance on a trimestral basis.

(4) Based on the appraisal report prepared in accordance with sub-section (3), the Ministry of Finance, after evaluating the implementation of the budget and programs, shall prepare a consolidated report containing the following matters and publish it every half-year and once a year—

- (a) A detailed statement about the estimate, receipt, and mobilization of revenues, expenditures, foreign aids, and loans;
- (b) The Government of Nepal's macro-economic and fiscal conditions;
- (c) An execution status of the programs incorporated in the Government of Nepal's policy and budget;
- (d) Any other necessary matters.

(5) The semi-annual evaluation report in accordance with sub-section (4) shall be published during the end of *Magh*

month of each year and the annual report during the fourth months after the ending of such fiscal year.

(6) Appropriate ministry shall send the budget and program appraisal report prepared in accordance with sub-section (3) to the Ministry of Finance at least 15 days before the publication of the half-yearly and annual evaluation report of the Ministry of Finance.

(7) Any other matters concerning half-yearly and annual evaluation of the budget and programs shall be as prescribed.

24. Procedures and Norms for expenditure: (1) An authorized officer shall manage to provide an expenditure authorization on the basis of approved budget and available funds.

(2) When expending the budget, it shall be used parsimoniously to achieve the best possible profits with the appropriate quality.

(3) The authorizing officer shall make payments for any works within 15 days after receiving valid documents limited to the allocated budget.

(4) The Ministry of Finance may issue expenditure norms in to maintain consistency and parsimony in public expenditures.

(5) It shall be the duty of all governmental entities to comply with the norms as specified in sub-section (4).

(6) Any other matters concerning the expenditure, advance payments, and correction therefore shall be as prescribed.

## Chapter –5

### Accounts of Transactions

25. Principle, basis and format of accounts: (1) Accounting for appropriation, revenues, surety and other governmental transactions shall be kept as prescribed in accordance with the principle of double accounting system.

(2) Other criteria for the accounting of transactions shall be as prescribed.

(3) The accounting and reporting method shall be as prescribed by the Financial Comptroller General Office pursuant to recognized principles, a new concept developed in this field and the accounting manual for the public sector accounting.

(4) For the purposes of keeping accounts under subsections (1) and (3), the Financial Comptroller General Office shall lay down the formats of accounts, account symbol, and classification, and implement them with the approval of the Office of the Auditor General.

(5) Account formats, account symbol, and classification as approved in accordance with sub-section (4) shall cause to publish in the Nepal Gazette.

(6) Notwithstanding anything contained elsewhere in this section, the Province and the Local Level may maintain their own accounts in such a manner as may be prescribed with the approval of the Office of the Auditor General.

26. Account of transactions: (1) Each office shall require to maintain accounts of appropriation, revenue, surety, and other funds, including such amounts received from any aids or funds

as per the agreement entered into with the Government of Nepal.

(2) If any transaction has not included in the budget, appropriate office shall require to maintain a separate record in a format as may be prescribed.

(3) A accounting officer shall require to prepare a consolidated financial report and central account by obtaining details statements on appropriation, revenue, surety, and other funds from its subordinate offices, and provide it to the Financial Comptroller General Office within a time period as may be prescribed.

(4) The accounting officer shall require to keep records of type of movable and immovable assets and liabilities of its main and subordinate offices and provide it to the Financial Comptroller General Office within a time period as may be prescribed.

(5) The Financial Comptroller General Office shall require to prepare a consolidated report of assets and liabilities of the Government of Nepal.

(6) Any other matters concerning the accounting and reporting of public transactions, assets and liabilities shall be as prescribed.

27. Deposit of revenue and its accounts: (1) A person-in charge shall require to maintain records of all revenues and public moneys receipt to the Government of Nepal under the prevailing law of Nepal in a form as may be prescribed and



deposit such amounts into the bank account on the same day or the next day if that is not possible.

(2) The revenues collected in banks accounts which are authorized to carry on governmental transactions shall be deposited into the Federal Consolidated Fund on the same day.

(3) If, due to unavoidable circumstances, where it is not possible to deposit the revenues collected in accordance with subsections (1) or (2), such revenues shall be deposited in the bank accounts or the Federal Consolidated Fund on the following day.

Explanation: For the purposes of this subsection, “unavoidable circumstances” means disasters such as earthquakes, floods, landslides, pandemics, any violent activities, riots, shutdowns, strikes, curfews, or other similar conditions.

(4) With the exception of the circumstances as specified in sub-section (3), if a bank licensed to conduct government transactions delays, more than three days, depositing the revenues collected into the Federal Consolidated Fund, in such situation, the Financial Comptroller General Office may fine 10% of the outstanding amounts and require the bank to deposit the revenues into the Fund, together with the fine, or may request, in writing, to appropriate entity to revoke the bank's license.

(5) The chief of the office shall be held responsible for maintaining records and accounts of revenues, verifying the accounts, preparing fiscal statements, and auditing.

(6) Any other matters concerning the reconciliation of accounts in relation to revenue transactions between the entities of maintaining accounts of revenue and the bank conducting revenue transactions.

28. Deposit of cash and in-kind and accounts: For the cash and in-kind under the safekeeping of a person in-charge, such a person shall require to deposit the cash on the same day or the following day and in the case of in-kind, be kept on the proper place within seven days with maintaining a book of records therefore.

(2) When it becomes clear that the person-in charge has not deposited the cash on the same day or on the following day, the chief of the highest office or the chief of the department shall order the person in charge to deposit the owed amount with a fine of 10 percent for a delay of 10 days, and the owed amount with a fine of 10 percent be deposited plus departmental action under the prevailing law of Nepal if the delay in such activities exceeds 10 days.

Provided that if the Financial Comptroller General Office has set a deadline for the cash deposit, taking into account of the distance between the bank and the office, it shall be done therefore.

(3) In cases where the person-in charge is of the failing to maintain a book of records in respect of the deposit of the cash and in-kind, such a person may request, in writing, to the immediate superior officer to an extension of time with clear explanation.

(4) In the cases where the time extension referred to in subsection(3) has been requested, the immediate superior officer can extend it once or twice by a maximum of 30 days, if satisfied to do so.

29. To submit Accounts and financial statement: (1) The Financial Comptroller General Office shall submit a consolidated financial statement of the central accounts to the Office of the Auditor General, which contains the accounts of the Federal Consolidated Fund, foreign grants and loans, details of investments, including appropriation, revenue, surety as well as other funds, within a period of time as may be prescribed.

(2) The accounting officer shall require to prepare a central financial statement comprising all incomes & expenditures of each year and report it to the Financial Comptroller General Office and the Office of the Auditor General within a prescribed time.

(3) The person-in charge shall report the accounting officer or the office designated by him or the Office of the Auditor General about the statement of accounts and related documents in the prescribed time.

(4) In cases where it is failed to report the statement of accounts in accordance with sub-section (2) and (3), the immediate superior officer may provide an extension of time by a maximum of 30 days for good reasons.

Provided that in extending a time in such a manner, it shall be done in a manner that does not affect to report the

central statement of accounts to the Office of the Auditor General.

(5) Where the accounting officer or the person-in charge, as the case may be, requests, with good reasons, for an extension of time owing to failing to report the accounts and financial statement in a prescribed time, then the Auditor General or an officer designated by him may extend the time so requested by a maximum of 30 days.

(6) If an extension of time is not requested as specified in sub-section (5) or the accounts and financial statement is not reported in that extended time, the Auditor General may direct the financially responsible officer, in the case of the person-in charge, and the immediate superior officer, in the case of the accounting officer to report such statement.

(7) If an accounting officer has failed to report the accounts and financial statement as per the direction given in accordance with sub-section (6), the Auditor General may request in writing that departmental action be taken against such an official in accordance with the prevailing law of Nepal.

(8) Any other matters concerning the reporting vis-à-vis revenue, cash, in-kind and surety and maintain their accounts up-to-date shall be as prescribed.

30. Loss and damage to be recovered: If the Government of Nepal has suffered any loss or damage as a result of failure to maintain the accounts of business in accordance with this Act,

such loss shall be recovered from the person who is liable to pay as arrears owed to the Government of Nepal.

## Chapter -6

### Internal Control and Audit

31. Internal Control System: (1) All offices under the Federal, the Province and the Local Level shall require to prepare an internal control system and implement it therefore,

(2) The accounting officer himself or by a senior most officer shall require to supervise or inspect on a regular basis whether or not the internal control system has been implemented.

(3) Any other matters concerning the format and procedures shall be as prescribed.

32. Audit and internal control committee: (1) For the purposes of implementation of the internal control system and the audit reports of the internal and external audit, there shall be an internal control committee in each ministry or entity as follows, namely—

- (a) Accounting officer of any officer –Coordinator  
nominated him of appropriate  
ministry or entity
- (b) Chief of planning division of –Member  
appropriate entity
- (c) Chief of administrative division of –Member  
appropriate entity

- (d) An officer nominated by the –Member coordinator with knowledge and experience of the subject matter
- (e) Chief of monitoring and –Member evaluation division or section of appropriate entity
- (f) Chief of finance section of –Member– appropriate entity Secretary

(2) The Committee as specified in sub-section (1) shall perform the works to make internal control system solid and effective ensuring effectively and efficiently functioning of appropriate office and its subordinate offices, minimizing financial risks, making financial statements reliable and settling irregularities specified by the audit.

(3) Any other matters concerning the audit and internal control committee shall be as prescribed.

33. Internal Audit: (1) The Auditor General shall oversee the final audit of all financial transactions of each office of the Government of Nepal and the internal audit of the Financial Comptroller General Office, having regard to, among others, regularities, economy, efficiency, effectiveness and propriety thereof.

(2) The chief of appropriate office shall be responsible for the internal audit of its own office.

(3) The functions, duties and powers of the Internal Committee shall be as follows—

- (a) to examine mathematical clarity of transactions and compliance of law related to the appropriate entity, and to check accounts & records, evidence as well as documents as per the accounting standards approved by the Government of Nepal;
- (b) to examine a use and effectiveness of resources mobilized for carrying out the functions of the appropriate entity by analyzing risks associated therewith, and also examine managerial aspects of internal control system, including policies and procedures thereof, and provide suggestions therefore;
- (c) to examine whether or not the internal control system of the appropriate entity is comprehensive based on the examination as specified in clause (a), and provide suggestions for its heightening and compliance of economic discipline;
- (d) to supervise, inspect and examine the financial transactions, and the documents related thereto for the purpose of carrying out internal audit.

(4) An internal auditor shall carry out internal audit in every three months and present a report of internal audit, together with suggestions indicated during the audit, to the appropriate office or chief of the office following the completion of such internal audit.

(5) Having accountable to the supervisor and the entity whose accounts are audited, the internal auditor shall require

to adhere to morality, objectivity, secrecy including the code of conduct, and be able to fulfill his duties, responsibilities and authority.

(6) The internal auditor shall not disclose any information or facts known to him in the course of internal audit, except for inclusion in the audit report.

(7) No any legal action shall be initiated against the internal auditor just because he has conducted internal audit using the powers conferred on him by this Act.

Provided that pursuant to the law in force in Nepal, there is no bar to take legal action against him if he is found to have committed improper acts or acted with mala fide intention .

(8) Before conducting the final audit, the accounting officer shall require to present the final auditor a note on correction and re-checking of the accounts that those were included in the internal audit report.

(9) The suggestions presented during the course of internal audit shall be required to incorporate in the final audit report by the auditor unless removed for good reason from the list of suggestions.

(10) The Financial Comptroller General Office shall assign the personnel of the Account Cluster for the internal audit for a specified period in order to make it independent, fair, and effective.

Provided that same personnel shall not be assigned for the accounting and internal audit.



(11) The Financial Comptroller General Office shall present its consolidated internal audit report to the Minister for Finance by the end of Kartik month each year.

(12) Any other matters concerning the internal audit shall be as prescribed.

34. Internal Audit of the Province and the Local Level: (1) The Province and the Local Level shall conduct, or cause to conduct their accounts and fiscal transactions, having regard to, inter alia, regularities, economy, efficiency, effectiveness and propriety thereof.

(2) It shall be the duty of the Province and the Local Level to implement reforms as indicated by the internal audit report as specified in sub-section (1).

(3) The Province and the Local Level shall constitute an Audit Committee to examine if reforms are carried out, and take necessary measures.

(4) The Province and the Local Level shall require to present the internal audit report, together with measures taken therefore, to the Province Minister and the Chief of the Local Level so.

35. Final Audit: (1) Having presented statement of all income and expenditure as well as accounts and financial statements, each office shall cause to audit them by the Office of the Auditor General.

(2) The internal audit report shall form the basis for the final audit.

36. Accounts of transactions and statements to be submitted: (1) It shall be the duty of an appropriate officer or a person-in charge to answer auditor's questions and send the requested documents within a specified time by the auditor during the inspection of cash, in-kinds, statement of income and expenditure, internal or final audit.

(2) If the appropriate officer or the person-in charge requests an extension of the time for good reasons stating that he has failed to answer auditor's questions and send the requested documents within a specified time, the auditor may extend such a reasonable time for this purpose as requested.

(3) The appropriate officer shall be held accountable to irregularities or remarks established owing to failure to answer questions or send the documents requested within the time given in accordance with subsections (1) and (2).

37. Action to be taken on initial audit report: (1) The appropriate office shall request for follow-up audit by correcting the irregularities specified in the initial audit report of the Office of Auditor General within 45 days after receiving a notice of irregularities.

(2) If the irregularities reported in the initial audit report have not been corrected and follow-up audit not carried out within the time as specified in sub-section (1), the person in-charge may, for good reasons, request the Office of the Auditor General for an extension of time

(3) The Office of the Auditor General may extend a time by one month if it is requested in accordance with sub-section (2).

(4) If irregularities dictated in the initial audit report have not been corrected and follow-up audit not carried out within the time given in sub-section (3), the Office of the Auditor shall inform the financially responsible officer.

(5) The appropriate accounting officer shall be held accountable for performance of tasks specified in the notice given in accordance with sub-section (4) by the Office of the Auditor General.

(6) If the accounting officer has not fulfilled his duties in accordance with sub-section (5), the Office of the Auditor General shall include such description of the funds in its annual report as have not been settle or a follow-up audit has not been carried out, notifying the Minister or Minister for State.

38. Records of irregularities to be kept: (1) A person -in-charge shall require to maintain a record of irregularities, funds to be recovered, or paid back dictated in an initial audit report under section 37.

(2) All central level offices shall require to maintain a record of irregularities for their offices, including those under their jurisdiction.

(3) In maintaining a record of irregularities in accordance with subsections (1) and (2), a separate record for irregularities reported by the initial and final audit report.

(4) The accounting officer shall require to maintain a record of irregularities reported by the internal audit under sub-section (8) section 33, and the amounts settled up under section 39, and the amounts settled up and cleared reported by the final audit under section 40, and cause to carry out follow-up audit during the last audit.

39. Correction of irregularities: (1) The person implicated to irregularity and a person-in charge related to fiscal matters shall be held accountable and required to make correction irregularities reported by the audit by way of submitting audit evidence, or resulting in regularized or recovered. If such persons do not remain in office due to transfer, promotion or other reasons prior to correction of irregularities reported, their successor shall be responsible for submission of such documents and records as well as correction of such irregularities.

(2) Where the irregularities are not settled in accordance with sub-section (1), the accounting officer is required to investigate into the matters, get the necessary funds recovered from the person in charge of fiscal issues or the parties concerned, where applicable, and correction of such irregularities. If it is found that such funds were misused knowingly or negligently, causing loss or damage whatsoever, such irregularly spent funds be recovered from the person implicated.

(3) Where, during the internal or final audit, it is discovered that records of government cash or in-kind have mislaid, or that the Government of Nepal has suffered a loss

or damage, the relevant chief of office or chief of department shall require the recovery of such money from a person who has been responsible therefore, and departmental action be taken against him based on the degree of such offense in accordance with the prevailing law of Nepal.

(4) A letter of release shall be issued to those civil servants who, due to promotion, transfer or any other reason, leave their post only after completion of the internal audit of the accounts under their responsibility. If any finding has been reported in the internal audit, the chief of office shall require to obtain a response from a person-in charge therefore and make correction.

(5) In accordance with the prevailing law, the appropriate accounting officer shall require to monitor in a regular basis whether or not irregularities have been corrected under this section.

40. Correction and settlement of irregularities: (1) It shall be the duty of a accounting officer to get recovered an irregular funds upon correction of such irregularities reported in an audit report.

(2) In cases where, for the purposes of irregularities reported as recoverable or payable under sub-section (1), an accounting officer shall require to obtain statements or explanations from an officer involved in transactions and make correction of such irregularities.

(3) Except the irregularities reported as recoverable or payable, if it is received audit evidence with good reasons that

other irregularities have occurred that do not comply with the rules as specified in the prevailing law of Nepal, but do not cause any loss of the cash or in-kind, the accounting officer shall cause to make correction of such irregularities.

(4) The irregularities made correction under subsections (2) and (3) shall be forwarded to the Office of the Auditor General for deletion of the record within seven days and the Office of the Auditor shall require to delete such record and inform the account officer thereof.

(5) Any other matters concerning the correction and settlement of irregularities shall be as prescribed.

41. Discussion on annual report: (1) During a discussion on irregularities reported in audit reports of the Office of the Auditor General in the Public Accounts Committee in Parliament, an accounting officer shall be held accountable to present in meetings of the Committee, take part in discussions, furnish his views, comments, or written notes and perform or cause to perform works related to correction of irregularities.

(2) The Auditor General and the account officer shall be held responsible to execute suggestions provided by the Public Accounts Committee under sub-section (1) to the House of Representative once approved therefrom.

(3) The Office of the Auditor General shall remove such irregularities from the record based on the report of the Public Accounts Committee appropriated by the House of

Representative within 30 days and report to the Public Accounts Committee and the relevant accounting officer.

(4) The Public Accounts Committee of the House of Representative shall require to monitor the works under this section.

42. Irregularity Settlement Committee: (1) With consultation with the Public Accounts Committee and the Auditor General, the Government of Nepal may constitute an Irregularity Committee to deal with such irregularities which cannot be settled in a normal manner, upon publication of a notice in the Nepal Gazette, as follows:-

(a)	Member of the Public Accounts Committee, nominated by it	–Chairperson
(b)	Deputy Auditor-General or Assistance Auditor-General nominated by the Auditor General	–Member
(c)	Finance Secretary, a joint-secretary nominated by him – Member	–Member
(d)	Financial Comptroller General or a first-class officer nominated by him	–Member
(e)	Chief of Kumarichowk & Central Arrears Office	–Member– secretary

(2) The scope of works of the Irregularity Settlement Committee shall be as prescribed by the Government of Nepal.

(3) The procedure to be followed by the Irregularity Settlement Committee shall be as prescribed.

43. Function, duty and Power of the Irregularity Committee: (1)

The functions, duties and powers of the Irregularity Committee constituted under section 42 shall be as follows, namely—

- (a) When it comes to such irregularities that cannot be settled through a normal process and are unrelated to the misuse of public funds or in-kind by any constitutional bodies, entities, ministries, secretariats, departments, courts, or offices, then to delete the record of irregularities by regularizing or forgiving, with the exception of the irregularity of the funds that are embezzled, misused, or recovered as reported by the audit.
- (b) require the relevant constitutional bodies, communities, ministries or secretariats to recover such irregular funds that cannot be recovered, even if the Committee under clause (a) recommends doing so,

Chapter –7

Handover –takeover, auction for sale, forgiveness

44. handover–takeover process: (1) Employees who are transferred, promoted or retired, or are on deputation or leave shall require to obtain a handing over–taking over certificate when handing over cash or in-kind or government documents



within the specified time, if any, or within 21 days, if no time is specified.

(2) Where the hand over– takeover process is not possible for good reasons in the time as specified in sub–section (1), a request shall be presented to the higher authority with reasons and made pursuant to the instructions.

(3) Where handover–takeover process is not possible in accordance with subsections (1) or (2), an accounting officer shall cause to conduct necessary investigation into this matter, setting a time therefore.

(4) In cases where an official who has not completed the handing over– taking over process in the time given in accordance with sub–section (3), the chief of the relevant office shall require that it be done by restraining the salaries and allowances to the civil servants of service, or pension or gratuity who are out of the service or due to those not receiving pension or gratuity, with their arrest by the police.

(5) If any loss has occurred due to failure to handing over taking over of cash, in-kind or other property within the prescribed time, the lost sums and the corresponding compensation shall be recovered by the person concerned in accordance with the prevailing law of Nepal.

(6) Any other matters concerning handing over –taking over of cash and in-kind shall be as prescribed.

45. Auction for sale: In cases where, after the inspection, it is found that the goods cannot be reused due to wear and tear, or the chief of the office is satisfied with the auction based on a

report given by a technician upon inspection that the goods can be used, but no spare parts are available, or its maintenance requires more than 25 percent of the current market price, or the efficiency of the goods may decrease due to aging, therefore the auction for sale shall be conducted in accordance with the prevailing law of Nepal.

46. Forgiveness: Notwithstanding anything else provided in this Act, in cases where it is found that the sums deferred under this Act have been lost due to natural calamity, accident or circumstances beyond one's control, drought or shrinkage or decay or any other reason or such have not been sold at auction, or it seems that such cannot be sold, that it can be forgiven as may be prescribed based on a technical report that the goods or technology are not used due to obsolescence or are not suitable for use from a view point of security.

## Chapter– 8

### Recover of Government Arrears

47. The irregularity not to be recovered in a regular manner remains as Government Arrears: (1) If the amounts misused or dictated as fraud by the audit have not been corrected or settled in accordance with sections 39 and 40 such amounts shall be recovered from the concerned person.

(2) In cases where any amounts to have recovered under this Act have not been regularized, recovered, settled or corrected with a three year's effort, such amounts shall be registered as government arrears and notified the concerned person.

(3) An accounting officer shall forward a detail of irregular amounts to the Kumarichow and Central Arrears Office to recover such amounts recorded as arrears under sub-section (2) from the concerned person.

(4) It shall be the duty of the accounting officer to assist the KumariChowk and Central Arrears Office in the discharge of its function under sub-section (3).

48. Irregular payments to be recovered from personal property: (1) The irregular payments forwarded under sub-section (3) of section 47 as to have recovered, the Kumarichow and Central Arrears Office shall recover such payments for the personal property of the concerned person.

49. Functions, duties and powers of Kumarichow and Central Arrears Office: (1) The Kumarichowk and Central Arrears Office shall maintain a book of records of the sums recoverable from the concerned person under this Act and other prevailing law of Nepal and the amounts payable under the terms and conditions agreed with the Government of Nepal, or the government cash or in-kind to be recovered from the misusing person, if requested by appropriate offices.

(2) It shall be the duty of the Kumarichowk and Central Arrears Office to recover such amounts as registered in the book of records under sub-section (1).

(3) Where it seems feasible to have recovered such arrears by appropriate offices of the Province or the Local Level which have been recorded in the records book of the Kumarichowk and Central Arrears Office at the

commencement of the Act, such arrears may be transferred to them and be recovered or cause to be recovered.

(4) Except otherwise stated in sections (1) and (3), a detail of such fine or penalty shall be forwarded to the Kumarichowk and Central Arrears Office to be recovered from the concerned person which have been determined by the judgement of the quasi-judicial bodies under the prevailing law of Nepal, if such fine or penalty have not been recovered therefrom.

(5) Where information is received under sub-section (3), Kumarichowk and Central Arrears Office shall require to recover such fine or penalty as specified in the judgement by the quasi-judicial bodies and deposit the same in the Federal Consolidated Fund.

(6) After recovery of fine and penalty under sub-section (5), the Kumarichowk and Central Arrears Office shall forward such information to the accounting officer or the chief of respective quasi-judicial bodies, as the case may be.

(7) The Kumarichowk and the Central Arrears Office may, in recovery of such sums, exercise the powers as equivalent to a court to require information or take statements from the relevant person, association or officer, examine witnesses, including arrest, inter alia, in accordance with the prevailing law of Nepal.

(8) The Kumarichowk and the Central Arrears Office may recover, or cause to recovery through other office such fine or penalty as has been recorded as recoverable.

(9) It shall be the duty of the relevant offices to assist the Kumarichowk and Central Arrears Office in the works related to recovery of the irregularities recorded as recoverable under this section, if it is requested therefore.

(10) Any other functions, duties and powers as well as procedure to recover irregular payments and settlement thereof shall be as prescribed.

## Chapter –9

### Fiscal accountability, responsibility and answerability

50. Fiscal accountability: (1) It shall be the duty of appropriate constitutional chief— for the constitutional bodies or entities, and the Minister or Minister for State for the ministries, or central level secretariats or commissions—to maintain or cause to maintain fiscal accountability of which requires selection of any projects, preparation of a medium-term expenditure framework, preparation of a budget proposal, protection and management of the public assets either to be protected or managed, surrender or cause to surrender of the budget, and monitoring of projects or programs under this Act.

(2) It shall be duty of appropriate accounting officer to keep accounts, spend funds, settlement of irregularities including fiscal accountability.

(3) The Prime Minister —for the departmental minister or minister for state, if applicable, under sub-section (1), appropriate constitutional chief for the officials under sub-section (2) and the Minister or Minister for State for other entities,— shall be held responsible for the supervision of

fiscal accountability of which they have borne or not appropriately.

(4) Any other matters concerning functions, duties, powers as well as responsibility and procedure requiring to bear fiscal responsibility shall be as prescribed.

51. Responsibility to keep accounts: (1) A person-in charge shall be held responsible to keep accounts of each transaction and make up -to- date under this Act in a manner as may be prescribed by the prevailing law of Nepal.

(2) The person-in charge shall be responsible for such transactions or remarks as have been reported by appropriate accounting officer upon making inspection or supervision of its office or offices under its command, or reported by the audit that transactions have been carried out without honoring the prescribed protocols or correcting any other remarks reported therein.

52. Responsibility to run financial administration: (1) It shall be the responsibility of appropriate accounting officer to determine whether the prevailing laws on the financial administration are compiled, and to conduct inspection, examination and supervision thereof and require that accounts of the subordinate offices be incorporated into the central accounts.

(2) Appropriate constitutional chief—for the constitutional bodies or entities, appropriate Minister or Minister for State, if applicable, and appropriate accounting officer for ministries and central level secretariats or

commissions—shall bear the responsibility, if the budget allocated for any office is not used to meet the set targets.

(3) If an irregularity occurred during conducting a financial transaction for any good reason, which is referred to a superior authority for correction, such superior authority shall require to make a corresponding decision within the period of time as may be prescribed in this matter.

(4) Notwithstanding anything contains elsewhere in this section, the constitutional chief—for constitutional bodies or entities, appropriate Minister or Minister for State for the ministry, and central level secretariats and commissions, appropriate secretary for department or departmental level offices, and appropriate chief of department for other offices—shall be responsible for internal audit and supervision, by monitoring, from time to time, that whether accounting of transactions, depositing accounts and auditing are conducted under this Act and rules made hereunder.

53. To be answerable: (1) The person -in charge shall be answerable regarding the transactions carried out as per instructions given by appropriate public official or on their own under this Act or the rules made thereunder.

(2) The employee or official who prepares, examines, and recommends documents for further actions related to any transactions shall be held answerable for the works they perform, and also held accountable personally for such activities.

54. Action to be taken for misusing or embezzling government cash or in-kind: (1) If, based on the records of cash, or in-kind or the internal or final audit, or the inspection or examination thereof in any manner, it is found that government funds have been misused or misappropriated, action shall be taken by appropriate chief of office or the superior office or appropriate official as may be prescribed against those who has misused or misappropriated under the prevailing law of Nepal.

(2) If it is dictated during the final audit that any property, cash or in-kind has been misused or misappropriated, the Office of the Auditor General shall request in writing to appropriate chief of office or department to take against those who has done so.

(3) If action has not been taken based on the inspection or examination made under sub-section (1), or a request for taking action under sub-section (2), a departmental action with a fine of five hundred Rupees shall be imposed against such an official who failed to doing so by an appropriate chief of department, or for a chief of department by an appropriate accounting officer, or for an appropriate accounting officer by the relevant Minister or Minister for State, or for the administrative chief of the constitutional bodies or entities by the constitutional chief in accordance with the prevailing law of Nepal.

(4) If the Auditor General finds that accounting activities of any office have not been completed on time, he may require accounting documents and examine thereof and, if necessary, send a written request to the relevant superior



office for necessary action. In doing so, the relevant office shall immediately take necessary actions.

55. Protection of government assets and use for prescribed work:

(1) A person-in charge shall be responsible for proper handling of all cash and in-kind of the office.

(2) All cash and in-kind of the office shall not be used for other works, except for the performance of the prescribed works. If becomes clear that any employee has used state property without the permission of the relevant authority, the person-in charge shall demand repossession or recover of the property and request departmental action for those who has done so from the relevant chief of department.

(3) If loss or damage is caused to public property used by someone for personal purposes, such damage shall be proportionately recovered by the users and persons authorized to use it.

Chapter –10

Miscellaneous

56. To make public: All financial statements to be prepared by appropriate office in accordance with this Act and the rules made thereunder or other prevailing law of Nepal shall cause to publish electronically or any other appropriate means within seven days from the date as prescribed to doing so.

57. Penalty: (1) The following penalty shall be imposed for the following acts by the following official:

- (a) A fine with fifty thousand Rupees for a person who does not make payment under

sub-section (3) of section 24 by an immediate official;

- (b) A fine of five hundred Rupees— for a person who fails to keep record of accounts within the extended period of time under sub-section (4) of section 28, submit ledger of accounts with the extended period of time under sub-section (4) of section 29, accounts and statements under section 36, make negligent or not hand over take over of assets or documents as reported by the inquiry made under sub-section (3) of section 44 by the immediate official;
- (c) A fine of one hundred rupees each time for any official who fails to act upon receiving information under sub-section (3) of section 39; this fine may be imposed by appropriate constitutional chief in the case of constitutional bodies or entities, appropriate Minister or Minister for State, if applicable, in the case of ministries, central level secretariats or commissions, or the appropriate secretary in the case of departments or their equivalent;
- (d) A fine of five hundred Rupees each time for a person-in charge who fails to conduct transactions without fulfilling the prescribed procedures in accordance with this Act or rules made thereunder by a superior office or

appropriate chief of department, as is revealed following the inquiry by the superior office;

- (e) A fine of two hundred Rupees for an official who makes irregularity in keeping accounts under sub-section (3) of section 52 or who does not make a decision within a time as prescribed;
- (f) A fine of five hundred Rupees for a person who violates this Act or rules made thereunder by an immediate officer, except as otherwise provided in this subsection.

(2) An employee fined under sub-section (1) shall be subject to departmental action for the violation of code of conduct in accordance with the prevailing law of Nepal.

(3) An employee who approves a project or program, or proposes budget, or does not surrender budget in a prescribed time contrary to the provisions stipulated in this Act shall be subject to departmental action.

(4) A departmental action shall be taken against an employee who fails to achieve results as per the performance agreement under sub-section (5) of section 19, or achieves less physical and financial progress without justified reason compared to the programs and capital expenditures set in the allocated budget.

(5) An employee who approves projects or programs, or contracts out, or initiates procurement process with costs that

are high compared to the funds allocated under the Appropriation Act or a Vote on Accounts Act shall be subject to fine of such amounts as equivalent to those activities by appropriate accounting officer, and if such activities are carried out by an accounting officer, a fine as equivalent thereof shall be imposed by the constitutional chief in the case of constitutional bodies or entities, appropriate Minister or Minister for State in case of the ministries and central level secretariats and commissions.

(6) Detailed information about penalties imposed under this section shall be kept in records and disclosed within 15 days after the penalties are imposed.

Provided that this provision shall be applied to those activities carried out with consent of the Ministry of Finance.

58. Fine may be forgiven or reduced: The sentencing authority may forgive or reduce the penalty, as appropriate, if a petition is submitted to it within 15 days of the penalty being imposed in accordance with the provisions of this Act, stating that the penalty cannot be imposed for good reason.

59. Appeals: (1) Anyone who is not satisfied with the decision to impose a fine or recover an irregularly paid sum in accordance with this Act and the regulations issued based on this, can appeal to the relevant appellant authority within 15 days after the decision.

(2) The appellant authority shall decide within 30 days after the appeal is presented, and the decision of such authority shall be final.

60. Operation of Financial administration: (1) The Financial Comptroller General Office shall responsible to run the financial administration, as well as mobilize and manage the personnel related to accounts cluster.

(2) Notwithstanding anything contains in sub-section (1), the Financial Comptroller General Office shall responsible to run the financial administration and mobilize the personnel for the Province and the Local Level, until and unless otherwise provided.

61. Guidance for financial matters: The law related to financial matters to be made by the Province and the Local Level shall not be contradicted with this Act.

62. Use of Information Technology: (1) The information technology may be progressively used to carry out functions related to budgeting and accounting.

(2) For the purposes of sub-section (1), the Financial Comptroller General Office may require to develop systems related to budgeting and auditing based on the information technology.

(3) If it is needed to develop a new system with added features or not being sufficient of the system developed under sub-section (2) , permission from the Financial Comptroller General Office shall be required to obtain.

(4) A digital signature may be used to certify information obtained by the system developed under this section.

(5) The matters concerning the development of other systems to be inter-operative with the system established under this Act shall be as prescribed.

63. Delegation of power: Other powers, except forgiveness or approval of projects, other powers conferred to any entity or official by this Act may be delegated that such powers may be exercised by any entities, or officials

64. Special provision regarding transaction of foreign diplomatic mission: (1) Notwithstanding anything contains in this Act, the Financial Comptroller General Office may lay down a separate procedure for the purposes of the Nepali diplomatic abroad to the management of revenues, operation of accounts, budget release and expenditure, surety and auction for sale.

(2) The procedures made under sub-section (1) shall come into force once approved by the Government of Nepal.

65. Powers to make rules, procedures or directives: (1) The Government of Nepal may make rules to carry out the purposes of this Act.

(2) The Financial Comptroller General Office may make technical standards, procedures, directives or manuals subject to the rules made under sub-section (1).

(3) The technical standards, procedures, directives or manuals subject to the rules made under sub-section (1) by the Financial Comptroller General Office shall come into force once approved by the Government of Nepal.

66. Applicability of the prevailing law: The matters referred to in this Act or any rules made thereunder shall be ruled by this

Act, while other matters be subject to the prevailing law of Nepal.

67. Not to restrict filing lawsuit under the prevailing law: Save as otherwise expressly provided in this Act, if any act or omission defined as an offense under this Act is also defined as an offense in other prevailing law, it shall be not deemed to have a restriction to filing a lawsuit under such law.
68. Repeals and savings: (1) The Financial Procedures Act, 2055 is hereby repealed.

(2) Anything done or any other action taken under the Financial Procedures Act, 2055 be deemed to have been done or taken under the corresponding provision of this Act.