



THE NEPAL CHARTERED ACCOUNTANT

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“REQUESTING ARTICLE TO BE PUBLISHED JOURNAL OF ICAN”

“The Nepal Chartered Accountant” is the official publication of The Institute of Chartered Accountants of Nepal and has been published since 1998. The purpose of this Journal is to disseminate accounting, auditing, financial market, innovations information for enriching the knowledge of members and stakeholders in readable and understandable manner. So, we try to feature the articles in the Journal covering various issues related to information and technology, economy, accounting and auditing, taxation, banking, insurance, management, public financial management, governance, public policies such as monetary and economic policies, transparency and accountability, ethical and professional matters, management issues etc. and make our members, students, readers aware of the contemporary changes or innovations in business and professional landscape in accounting sector and get them updated.

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THE NEPAL CHARTERED ACCOUNTANT

(Quarterly Journal of The Institute of Chartered Accountants of Nepal)

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Need of Harmony among Regulators

Regulators, working within their respective sphere of jurisdiction, play a pivotal role in upholding public interest and bolstering confidence of the Government machinery. A regulator needs to be independent and free from government interventions and should work in transparent manner. While at the same time, regulators should also cooperate and coordinate with each other without compromising their independency and bounden duty, with a focus on wider public good. Regulators may be mapped under three broad economic regulation, environmental regulation and regulation in the public interest. Accordingly, various financial regulators functioning in the country includes Company Registrar's Office (CRO), Insurance Board, Civil Aviation Authority of Nepal (CAAN), Electricity Regulatory Commission, Commission for the Investigation and Abuse of Authority (CIAA), Office of the Auditor General, Central Department of Money Laundering Investigation (DMLI) and Central Investigation Bureau (CIB) etc. Similarly, the Institute of Chartered Accountants of Nepal (ICAN), set up under the Nepal Chartered Accountants Act, 1997 (2053, BS) is the sole regulating authority regarding accounting profession.

Regulators should be equipped with infrastructure as well as competent human resources to efficiently discharge their duties and responsibilities. Moreover, as the nature of financial crimes have grown in complexity, multi-disciplinary approach for investigation along with use of ICT is needed. Many a times, the regulators are strangled by lack of adequate legal mandate. As the nature and intensity of crime have increased, a legal vacuum is felt in fringe cases. In some cases, there is overlapping of jurisdiction of regulators in dealing with complex and organized crimes. Therefore, the Government or the Parliament should take initiation for policy harmonization and building structure with existing regulators or setting of a new regulator for dealing with novel issues. Moreover, coordination and cooperation can only be achieved if there is sharing of timely information within the regulators. Heightened need of sharing of information is seen in financial frauds and anti-money laundering crimes, where active engagement of CRO, DMLI, etc. is needed.

Members of ICAN are well versed innuances of financial, taxation and accountancy matters. Expert knowledge of accounting professionals will be an added advantage in tracing and investigating financial and white-collar crimes. Still some regulators do not have a dedicated post for Chartered Accountants like CRO, FIU etc., where the acumen and dexterity of financial professionals can create a positive and sustainable impact. In this, ICAN intends to lobby and make the regulators aware regarding the value added by inclusion of accounting professionals in their teams, and on the other hand, regulators should also embrace members of ICAN with open arms.

Strong attention of ICAN is also drawn in cases where Members of the Institute working in the capacity of independent auditors are unnecessarily dragged in criminal proceedings regarding banking frauds and taxation cases. The Nepal Chartered Accountants Act, 1997 (2053 BS) has entrusted ICAN by constituting a Disciplinary Committee to take necessary actions after investigation upon complains lodged against any action, contrary to the Act or Regulations or code of conduct framed under the Act. A Members of the Institute cannot be assumed to be faultless, however, the fault must be dealt as per the due process in a system governed by rule of law. ICAN is the first jurisdiction that must be invoked in case a member of the ICAN has faulted while working in their professional capacity. Cases are directly filed in courts and members of the ICAN are taken into police custody by trespassing on the jurisdictional authority of ICAN. Therefore, it is with deep sense of respect to the system and rule of law and also as a deference to the jurisdiction of respective Regulators, it is urged that the cases involving members of ICAN in the course of discharging services in professional capacity be referred to the Disciplinary Committee of ICAN.

ICAN is aware of its responsibilities and is always ready to support the Government for national interest. Hence, harmony is a must among the regulators for upholding public interest in Nepal.



CA. Yuddha Raj Oli
President, ICAN

Dear Professional Colleagues,

The first tenure (2021/22) of the Ninth Council has come to an end, and I feel extremely overwhelmed to have served as the 25th President of the Institute. Most fortunately, this is Silver Jubilee Year of our esteemed organization. I would also like to congratulate and extend my warm welcome to the newly elected President CA. Bhaskar Singh Lala and Vice-President CA. Sujun Kumar for the second tenure of Ninth Council. I am confident that the Institute will gain greater heights in the journey to professional excellence under their leadership.

This shall be my last communication with you through this Journal as a President of the Institute and it is my privilege to keep abreast of the entire members and stakeholders about some of the significant activities that were undertaken during my tenure.

Regulation and Supervision

The regulatory apparatus of the Institute was made further effective by finalizing pending disciplinary

cases in the Disciplinary Committee and Quality Assurance Review was extended by covering review of Registered Auditor audit firms during the year. The Institute has issued Guidelines on Anti-Money Laundering and Counter Financing of Terrorism (AML/ CFT), 2078 in accordance with the provisions of Money Laundering Prevention Act, 2064. The Guidelines were applicable to accounting professionals providing service on behalf of clients with effective from 28th December 2021. The Institute has initiated to incorporate stakeholders' consultation prior to issuance of specific guidelines. In this regard, a consultation program was organized with the stakeholders on proposed amendments in ICAN Code of Ethics, 2018 in line with IESBA Code of Ethics, 2021; Guidelines on Verification of Working Capital Statement; Proposed Amendment on Firm Registration Procedures and Guidelines for Granting Accreditation to Academy Providing Coaching Classes.

An interaction program with Members in Industry was also conducted to discuss about the issues faced by members of Industries and role of the Institute in this regard.

Professional Development

To provide a platform to work together and explore opportunities for members and other persons associated with the Institute and willing to start their career in service industries, the Institute has launched "ICAN Job Portal". The Institute organized pre and post budget interaction programs in Kathmandu and other parts of the country and provided valuable suggestions to the various levels of Governments.

The Institute organized three days Training of Trainer (ToT) Audit Documentation. Similarly, in technical collaboration with the Institute of Chartered Accountants of India (ICAI), the Institute organized certification course on Forensic Accounting and



Fraud Detection (FAFD) and Information System Audit (ISA) in which altogether, 63 members of the Institute participated. Similarly, the Institute in technical collaboration with the ICAI, also organised a four-day online training on Valuation Standards for the members. Likewise, the Institute organized Continuing Professional Education (CPE) trainings on regular basis throughout the year both physically and virtually at Kathmandu and at branch offices.

Educational Activities

The Institute is committed to provide quality education following the International Education Standards (IESs) issued by the International Education Standard Board (IESB) of the International Federation of Accountants (IFAC). The Institute is in the process to develop a new Professional Accounting Qualification Syllabus. In this regard, a delegation led by me visited The Institute of Chartered Accountants in England and Wales (ICAEW) from 22nd to 26th May 2022, to have an insight about the new CA Curriculum being proposed by the ICAEW for the Institute.

The Institute organized the Fourth Chartered Accountants' Convocation on 22nd April 2022 at ICAN Premises in which total 32 newly qualified Chartered Accountants were conferred with Convocation Certificate from the Hon'ble Auditor General, Mr. Tanka Mani Sharma (Dangal). In the same program, the Institute distributed Medals and Merit Certificates to the students securing best results in the Examination held in December 2020 and June 2021 CA Examination.

CA Examination of December 2021, June 2022; CA Membership Examination of September 2021, March 2022 and RA upgrading Examination were conducted successfully and results were also announced on timely basis. Likewise, General Management and Communication Skills (GMCS),

Pre-articleship Orientation Program and CAP-I Student Orientation Program was also organized on timely basis. Nearly, 1,106 students participated in CAP-I student orientation program which was held on 12th July 2022. Moreover, the Institute also awarded full and partial amounting to NPR 5.7 Million to total 277 students comprising 137, 103 and 37 students of CAP I, CAP II and CAP III level respectively.

National Relation: Public and Government

We pursued with robustness our advocacy agenda by paying courtesy visits and conducted series of interaction with three tiers of government functionaries, key regulators, academic institutions with regards to the role of the Institute for economic development of the country. Two workshops on "Dimension of Public Financial Management at Province and Local Levels" were organized at Biratnagar and Pokhara. Similarly, with a bid to support public financial management and other financial matters the Institute organized various interaction program with the representative of provincial level and local level at Branch Offices of the Institute

The Institute has signed MoU with the Insurance Board for facilitating exchange of information and cooperation to help each other in the areas of professional excellence besides facilitating NFRS implementation in Insurance Companies in Nepal.

With an objective to demonstrate the role of professional accountants in balanced growth of the national economy and unite the voice of all accounting professionals in one platform for better and enhanced financial reporting and accounting services, the Institute organized the First National Convention of Accounting Professionals-2022 on the theme "Upholding Public Interest" on 3rd and 4th May 2022 at Nepal Academy. Almost 1,300 plus members and accounting professionals attended the Convention.



Similarly, the First Convention was also participated by representative from Ministry of Finance, Securities Board of Nepal, Insurance Board, Commission for Investigation of Abuse of Authority, Department of Money Laundering Investigation, Department of Cooperatives, Central Investigation Bureau, Kathmandu Valley Crime Investigation Department and Nepal Copyright Registrar's Office. Likewise, experts in concerned thematic subject also presented papers on relevant topic. The Convention was an initiative to create a synergy among the regulating authorities within the country for better regulation with improved cooperation and coordination in serving the public interest. Hence, I vouch it as a milestone achievement in the history of the Institute.

The Institute in joint coordination with the Insurance Board organized an interaction program on Contemporary Issues related with Accounting and Auditing in Insurance Companies. Furthermore, a cordial meeting of ICAN Council with the Hon'ble Auditor General was held on 5th July 2022 to discuss about contemporary issues on the accounting profession. We conducted series of awareness interactions and skill development activities through virtual as well as physical mode in time to time at federal and provincial levels.

I believe that all these activities have enabled rapport building with government authorities, convinced them about role and responsibility of the Institute and elevated the image of the Institute as well as accounting profession at National level.

International Relations: Global Positioning and Leadership

In the International arena, I am happy to inform that the Institute has given continuity to the Recognition Agreement with The Institute of Chartered Accountants in England and Wales (ICAEW) for mutual recognition of members of

either Institute. Also, the Institute has renewed Mutual Collaboration Agreement with Association of Chartered Certified Accountants (ACCA) for another five years. The Institute had signed Technical Collaboration Agreement (TCA) with CA Sri Lanka in January 2022 with the objective to strengthen, promote and develop the accountancy profession in both countries based on equality and mutual benefit. Further, International Exposure visits were made to the Institute of Chartered Accountants of Bangladesh (ICAB) and ICAI.

Council Member of the Institute represented the Institute as a Panelist during SAFA SME Development Conference on "Supporting Small Businesses in Financial & Cost Management" hosted by CA Sri Lanka on 27th June 2022. Similarly, the representatives from the Institute also participated in various SAFA, CAPA and IFAC's Board and Committee Meetings.

Institutional Development and Sustainability

I feel privileged that during my leadership the Institute celebrated its 25th Anniversary (Silver Jubilee) on 31st January 2022 at its Head Office located at ICAN Marg, Satdobato, Lalitpur by organizing various programs. Coinciding with the celebration of 25th Anniversary, a Silver Jubilee Souvenir was revealed as a walk through memory of Institute's last twenty-five years of Journey. The third Strategic Plan of the Institute from 2021/22 to 2023/24 was approved to align the Institute's functional activities to achieve the Institute's goal. As per the strategic plan, restructuring of the Institute was implemented and new posts were created, and staffs were also appointed accordingly. Automation of functioning of the Institute is also one of the successes of the Institute. Besides, the Standing Committee and Boards, the six Branch Coordination Committee and other eleven Non-Standing Committees and



Taskforce were formed to assist in the operation of the Institute. Similarly, to motivate and boost the working zeal the staffs some long term and short term benefits were reviewed and implemented.

The Institute has been communicating the updates on Institutional activities through regular publication of monthly E-News and quarterly Journal. During the year, two staffs of the Institute were sent in International Exposure visit to the Institute of Chartered Accountants of Bangladesh (ICAB) and Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). Moreover, various in house and outdoor trainings and workshops were organized for capacity development of the staffs of the Institute.

Concluding Remarks

It has been a great honor and privilege to serve as the 25th President of the Institute. The Council endeavored its best to give impetus to the activities of the Institute. Perfection is a never ending journey and I believe the new leadership will carry on the baton and take the Institute to unprecedented heights. What the Institute has achieved during the past one year is due the unflinching support and well wished of the staff and stakeholders.

With profound grief, I would like to inform you that the Past President of the Institute CA. Tirth Raj Upadhyay (1998/99 A.D.) passed away on 13th May 2022. He was one of the pioneer leaders of accounting fraternity whose contribution was admirable in the establishment of the Institute. On behalf of the Institute, I express our heartfelt tribute to the departed soul and condolences to his family.

Before concluding, I would like to express my sincere appreciation to the Immediate Past President, CA. Madan Krishna, Vice-President, Fellow Council Members, Board's Members, Committee Members and Past Presidents for their honest efforts, intellectual input, and willingness

to engage in institutional activities in exploring the broad range of issues and supporting me around the year. I also take this opportunity to acknowledge the contribution extended by International Federation of Accountants, South Asian Federation of Accountants, Confederation of Asian and Pacific Accountants, Professional Accounting Bodies, Development Partners, Government Bodies, Other Regulatory Bodies, Members and Stakeholders for their support in the activities of the Institute. Lastly, I would like to acknowledge of Institute's Management Team and staff led by the Executive Director, CA. Sanjay Kumar Sinha for their untiring effort and assisting the Council in the office or from home in discharging its responsibilities and strengthening the Institute even in the COVID-19 pandemic situation.

With Best Wishes.

CA. Yuddha Raj Oli
President, ICAN



Need of Synergy among Regulators

The initiation to hold discussion among the regulators is a welcome step taken by ICAN. This event not only highlighted the gaps and areas where immediate action is required, but it also felt need of joint collaboration. Regulating agencies also see themselves more as facilitator rather than administrators and need realize that they are responsible to regulate not to strangle.

Introduction

The Institute of Chartered Accountants of Nepal organized two days national convention of accounting professional in Kathmandu on May 3-4, 2022, with the theme of “Upholding Public Interest”. The purpose of the convention was to demonstrate the role of professional accountants in balanced growth of the national economy and unite the voice of all accounting professionals in one platform for better and enhanced financial reporting and accounting services; and to bring together all the Regulating Authorities within Nepal for better regulation with improved cooperation and coordination. The convention featured five sessions consisting of two panel discussion and three technical paper presentations. The sessions consisting of two panel discussions were held



Mr. Dev Bahadur Bohara

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in contemporary issues that included Role of Regulators in upholding Public Interest and Current Scenario of National Economy and Way forward. Similarly, eminent personalities representing various professional spectrums presented three technical papers that included Role of ICT in Good Governance, Profession and Role of Accounting Profession in Entrepreneurship Development, and Contemporary Development in Accounting Profession. ICAN Members, government officials, accounting professionals and students pursuing CA course participated this national Convention.

The program modality of first National Convention of Accounting Professionals on theme “Upholding Public Interest” was divided into two broad categories. First was related to Public Interest and second was concentrated on the existing economic situation of the country. Accordingly, these issues were discussed and analyzed with the representatives of various regulatory and government bodies and conclusion was drawn through a method of panel discussion supported by presentation of facts, figures and analysis. In this article, attempts have been made to make a synopsis of the convention and



institutionalizing memory regarding the ideas shared regarding role of regulators in upholding public interest.

Category of Regulators

A regulator needs independent from the government to discharge its functions in a free and transparent manner. Regulation in Nepal can be mapped under three broad categories: economic regulation, regulation in the public interest and environmental regulation. Some of the key economic regulators include Company Registrar's Office, Insurance Board, Civil Aviation Authority of Nepal, Electricity Regulatory Commission, Nepal Telecommunication Authority, Nepal Rastra Bank, Securities Board of Nepal etc. The oversight and investigating agencies also have crucial role in supporting regulating agencies. The oversight and investigating agencies include Commission on Investigation and Abuse of Authority, Office of the Auditor General, Department of Money Laundering Investigation (DMLI) and Central Investigation Bureau (CIB) Nepal Police, Department of Cooperatives (DoC) etc. Other sectoral regulating agencies include Bureau of Standards and Metrology, Department of Food Technology and Quality Control, University Grant Commission, Nepal Medical Council, Nepal Nursing Council, Nepal Engineering Council, Nepal Bar Council, Press Council etc. Each agency has their own mandate with a specific range of duties and responsibilities. Out of these regulating agencies some are functioning as government Department and some are independent from the government governance structure. Such independent regulators are established under special Act of Parliament. For instance, Institute of Chartered Accountants of Nepal is sole national accounting body established under the Nepal Chartered Accountants Act, 1997 (2053 BS).

Purpose of Regulatory Bodies

The objective of regulators differs from each other but the main purpose of establishing regulatory bodies is to protecting the public interest and over see the functioning and fairness of financial markets and the firms that engage in financial activity. Their Regulations helps to prevent and investigate financial crimes, keep markets efficient and transparent, and make sure customers and clients are treated fairly and honestly.

Outcome of Panel discussion:

During the convention a panel discussion was held on Role of Regulators in upholding Public Interest. Altogether 10

representatives of from various regulatory and oversight agencies participated in the panel discussion. The regulators were asked specific and general questions with regards to their role and responsibilities as enshrined in the respective legislation. The major outcome and inputs for policy drivers as expressed in the Convention are as below:

1. Regulatory Infrastructure

The omnipresent problem of resource constraints which are raised by the most of the public authorities in various forums was also noticed in the panel discussion. This may be a ruse to escape from the assigned responsibility. However, it is also undeniable that regulators need to be well equipped with qualified and competent staff. However, shortage of skilled manpower has severely affected functioning of some regulators. Due to the lack of human resource, Department of Money Laundering Investigation (DMLI) is managing staff in deputation from Commission for the Investigation of Abuse of Authority (CIAA), Central Investigation Bureau (CIB) Nepal Police and other concerned governments bodies. As a result, forensic expertise are either hired or task is outsourced. A part from some regulators like NRB, qualified and expert graduates seldom choose them as their career option. This has proved to be a severe hindrance in maintaining quality in service delivery. Effort should also be undertaken to induct, develop and retain professionals in regulating agencies.

Another case in point is regulation of cooperatives. As per the constitutional provisions the task of regulation of cooperatives has been delegated at province and local level. However, considering the qualification of staffs at province and local level, improper allocation of their roles and responsibilities, and lack of unified legal arrangement, cooperatives are weakly regulated. Department of Cooperatives is in the process of developing standards, regulation, and policies to guide cooperatives. Severity of the situation can be gazed by the fact that there are only 30 staffs at Department of Cooperatives. In the absence of adequate infrastructure mainly resources constraints, it is difficult to function as per the expectation of the people. During panel discussion all the panelist agreed that resources must be available for efficient operation of the regulating agencies.

2. State of Legislations

Some of the regulators expressed that the prevailing legislation is does not reflect current developments in the



respective fields and needs to be updated. For example, Nepal Chartered Accountant Act 1997 (2053 BS) was first amended in 2059 (BS) and there after no amendment has been made. In case of other agencies, some of the bills are pending in the parliament for approval since last 2-3 years. Criminal Investigation Division is investigating different crimes such as financial crime, Information Technology (IT) related crime, crime of online fraud, fraud related to digital currency, complaint of fraud filed by other regulatory bodies etc. and number of cases of crime is increasing. However, specific Act or legal provision for financial fraud are still inadequate as a result of which most of the cases filed are being investigated on the basis of Banking Offence and Punishment Act.

3. Policy Harmonization Collaboration and Coordination

As we know the objective of establishment of regulatory bodies is protecting the public interest. Jurisdiction and responsibilities of every regulatory body is defined by the respective legislation. Likewise, there are various regulatory bodies under the Ministry of Finance (MoF) and ministry is responsible for maintaining coordination amongst the regulatory bodies working as a financial regulator. Nepal Rastra Bank, SEBON, Insurance Board, Department of Cooperative are regulating agencies for Bank and Financial Institutions (BFIs), Merchant Bankers, Insurance companies, cooperatives, respectively. The Department of Cooperatives is within the Ministry of Land Management, Cooperatives & Poverty Alleviation. Moreover, activities of regulators might be overlapping in some cases and coordination between is required. However, in panel discussion, concern was raised that is lack of a formal system and integrated framework among the regulating bodies to attain synergy from policies, program, legal provisions, human resources etc. at national and sub-national level.

4. Information sharing System

Effective regulation requires quality information facilitated through proper checks and processes. The status of database and information system repository is poor in most of the regulators. The collaboration between ICAN and IRD can be witnessed at the time of filing of annual returns where UDIN is made compulsory for tax filing. Similarly, while applying for loan the banks are provided access to the data filed in tax portal. This

collaboration has ensured fiscal discipline and has curbed bogus and fraudulent reports being filed and at the same time ensured uniformity in data presented in various regulators. Mechanism for wider participation of regulators and deeper sharing of information should be devised for better regulation.

Areas for improvement and Way forward

The paper presented and panel discussion shed light on the areas of improvement that needed to be initiated. Some of the areas for improvement are discussed below:

1. Strengthen Regulators' Capacity

Technical capacity is crucial for regulation. So adequate technical post should be created to equip the regulators to deliver quality service as per their respective mandate. If we look at the technical capacity of Office of the Company Registrar, it is facing shortage of technical staff. There is no post of qualified professional accountant for quality analysis of financial statement submitted by the companies. So, technical post should be created for efficient and effective operation in these institutions.

Ineffective regulatory regimes provide a false sense of security to stakeholders and are unable to protect the public interest. Capacity building should focus on technical personnel, practical training of reviewers, administrative support, and the necessary logistics support. In the view of this, the Office of the Company Registrar, Nepal Rastra Bank, Insurance Board, and SEBON recruit professionally qualified and experienced personnel and retain trained staff to effectively deal with accounting and financial reporting related issues involved in the supervision of regulated entities. It is necessary to establish proper incentives for attracting well-trained and top-quality personnel, including professional accountants, into regulatory bodies. A sustained capacity-building effort would have to be undertaken to ensure continued effective capacity levels.

2. Update legislation

Several rules and regulations have been framed by government agencies for regulators. However, due to ambiguities in regulatory provisions in some cases and overlapping provisions in other cases, create obstacles in initiating legal process and paralysis in work delivery. Ambiguities and vacuum in law provides a hazy playing field to regulators where they can exercise discretion.

This may lead to abuse of powers and undue burden on service recipients. So the government should reform and streamline legal provisions for proper and efficient service delivery.

3. Ensure independence of regulatory bodies

Success of regulators requires financial and functional autonomy. The government should make transparent and just laws for appointment and reappointment of board members of regulating bodies, their qualification, experience tenure, remuneration, removal process, and other terms of condition. Similarly, a mechanism also should be in place to attract quality personnel. There should be as much less interference as possible from government agencies on regulators.

4. Strengthen Accountability and transparency

Independence must go hand in hand with accountability. Along with independence, all regulators need to be accountable. Appropriate mechanisms are required to make independent regulatory agencies accountable. Accountability should be spelled out in the legislation itself. Apart from having skills and capacity, personnel driving the regulatory bodies should stand on moral high ground and discharge their responsibilities in ethical manner.

5. Joint network for Ensuring Regulatory Coherence

It is evident that there is no adequate coordination among regulators. Most of the time, a regulator works in isolation and is concerned only with its own legal mandate. A robust overarching regulatory philosophy is needed for coordinated development of the economy and its constituent sectors. It would be appropriate to establish permanent joint network of regulating bodies for better regulatory coherence in Nepal in order to ensure sustainable, high-quality regulation and financial reporting. Such mechanism might also be useful in making recommendation to the government on designing regulatory policies, implementing such policies in effective and coordinated manner. A good example is the concept floated in the budget speech of 2022/23 (para 320) by the Finance Minister for establishing second level of regulatory entity to regulate inspect and supervise Saving and Credit Cooperatives that are out of regulatory jurisdiction of Nepal Rastra Bank.

6. Transfer of knowledge and Skill

Qualified and experienced staffs are the life blood of any organization. In the present context, most of the oversight and regulating agencies are not adequately equipped with appropriate personnel with qualification and skill set to conduct investigation or examination of corrupt activities. One of the better option to mitigate this gap might be to exchange of knowledge and skill transfer among the investigating, oversight and regulating agencies through conducting various training and skill development activities. Each agency has rich experience in their own domain which can be utilized for advantage of another Regulator. Nepal Police regularly carries out forensic investigation. Moreover, OAGN is also mandated to carry out forensic audit and member of ICAN also conduct forensic audit if demanded from any organization. However, the skill set and expertise of each agencies may differ due to their mandate and approach. Therefore, events, training or workshops should be organized for sharing and exchanging information and skills withing regulators. Likewise, ICAN has pronounced various accounting standards, NFRS, auditing standards and various directives for the entities and for its members. It is worth noting that without the cooperation of regulators like SEBO, CRO, Insurance board, Department of Cooperatives etc. it is difficult to implement these standards.

Conclusion

The initiation to hold discussion among the regulators is a welcome step taken by ICAN. This event not only highlighted the gaps and areas where immediate action is required, but it also felt need of joint collaboration. Regulating agencies also see themselves more as facilitator rather than administrators and need realize that they are responsible to regulate not to strangle. The main objective of the regulators is to safeguard the interest of the public and collaboration and coordination among regulators may help better serve the public. In this backdrop, there is need of a synergy among the regulators to better serve the public interest.

Reference

Financial Regulators: Who They Are and What They Do-
By Michael Schmidt

Exposure Draft November 2010 International Federation of Accountants Policy Paper # 4 A Public interest Framework for Accounting Profession

Role of ICT in Good Governance

ICT has contributed a lot in the government operation. The ultimate objective of the government is to promote good governance, which is measured using the element mention in the earlier paragraph. Out of the different parameters of good governance, ICT contributes to improve effectiveness and efficiency, participation, transparency, accountability, corruption control, responsiveness and rule of law.



Mr. Ramu Prasad Dotel

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national international organization, donor expects good governance in the society. Currently, Information Communication and Technology (ICT) plays vital role in promoting good governance. ICT refers to the communication device, cell phone, computer network hardware, software, application programming, satellite system, electronic gadgets etc which can be used to ease the human life. The life of human beings has become more comfortable and easier as a result of the advancement of ICTs. Entire world has been changed as global village. Thus, governments

are also using ICT to improve or ease their functioning, which ultimately contribute to the good governance. This article focuses on the ways of promoting good governance through use of ICT.

Good Governance

Good Governance is the process by which public institutions perform their functions, manage public resources and guarantee the human resources in a manner that free from abuse of authority and corruption with due regard to the rule of law. It refers to the activities of all political

Background

The term Governance is defined as the process of making decision and implementing it. In other word, Governance refers to the processes of governing, through which issues of public concern are decided upon and regulated. Governance can be used in the context of corporate governance, local governance, political governance and digital governance. Various actors are involved in governance system. Considering the outcome and performance of the actors, governance is regarded as good or bad governance. Generally, good governance refers to the operational aspect. But it also focuses on the result or the effectiveness of the government. There are certain parameters to measure whether governance is good or bad. Bad governance is the evil of the society. Thus, each and every citizen,



and administrative authorities which are directed towards the achievement of development goals and satisfy the people's need. It is the way of using power to regulate economic and social resources for the development of the country. Nowadays, good governance has become increasingly popular in national and international arena, which minimize corruption, take in to account the people's voice in decision making, utilize public resources in efficient and effective manner. It is important to improve the performance of the government and help to gain public confidence and trust. It also seeks to protect the right and interest of people of all classes and it must be run through state and non-state agencies including the executive, legislature, judiciary, political parties, civil society organization and general public.

Elements of Good Governance

Good governance can be measured using different parameters. Such parameters are also called the attributes or characteristics or elements. The main elements of good governance are described as follows:

- **Participation**-Participation of all classes of people including civil society organization in decision making, formulation of policy, budget and program is the foundation for the good governance. The concept of participation is that people should be able to raise their voice through direct involvement or representative. It builds ownership and helps to solve the problems and satisfy desires of the people.
- **Transparency**-Government should disseminate required information to the public. Such information should be easily accessible and understandable to general public, beneficiary and stakeholder. Formulation of right to information act and its implementation is an example for transparency. Transparency promotes accountability and responsiveness. If information are freely available to the stakeholder, the relevant organizations and officials will become more responsible that ultimately promotes good governance.
- **Responsiveness**-Good governance requires to react by public institutions in a manner that serve the stakeholder or general public timely and cost effectively. Public services are delivered, and requests as well as complaints are responded within a reasonable timeframe.
- **Corruption control**-Corruption control is the important characteristic of good governance. Effective measures are to be introduced to prevent and combat with all forms of corruption. Corruption control and oversight agencies should be strengthened to investigate the corruption cases and abuse of authority in all sector including private sector.
- **Effectiveness and efficiency**-One of the important parameters to measure good governance is effectiveness and efficiency in the government operation. Public institutions need to achieve the intended result or produce impact to the society by utilizing resources optimally. Public officials should be aware in minimizing wastage and design and implement the programme in a way that satisfy the public needs.
- **Equity and inclusiveness**-The member of the society should not feel that they are excluded from the mainstream. The Government is required to determine policy, procedures and legal arrangement that all groups including vulnerable have an equal opportunity to maintain their well-being. If some members of the society feel excluded, it will affect the harmony in the society. Thus, principle of equity and inclusiveness is an important element of good governance.
- **Consensus oriented**-This is another attribute of good governance. While determining policy programme and implementing them, everyone's wish cannot be accommodated. Good governance requires mediation of the different interests of the society. It intends to establish broad consensus among the interest of the society. The consensus can only be reached only after understanding historical, cultural and social context of the community.
- **Human right protection**-Human right is guaranteed in good governance. Human rights standards and



principles provide a set of values to guide the work of governments. These standards are to be complied to promote good governance. It also requires appropriate legal frameworks and institutions as well as political, managerial and administrative processes to respond human right.

- **Accountability**-Public officials must be accountable to the public, regularity agencies and stakeholder. It is the mechanism to answer the issues raised relating to use of public resources. There are different types of accountabilities i.e financial, legal, administrative, political, professional accountability. All types of accountabilities are important to promote good governance.
- **Rule of law**-Good governance requires legal framework and its impartial enforcement. Independent judiciary and efficient police force are also the important for the enforcement of rule of law. Good governance can only be promoted through rule of law.

Use of ICT in Government of Nepal

Nowadays, governments around the world aim to promote good governance. They prepare policy program to achieve this objective. Traditional functions of government were defense, law and order, taxation, social justice, education, health care, infrastructure development. However, role of the government has been changed to harnessing more power of ICT based service/e-government. Digital world brought many changes in the society and function of public institutions. Such institutions are using ICT to provide service to the society. Use of ICT brought fundamental changes in government operation. Government can use ICT in various models such as Government to Government, Government to Citizen, Government to business and Government to employee. In Government-to-Government model ICT facilitates the functions of one government organization with other government organization. It helps to coordinate and share information from one organization to other organization. Government to citizen model is used to ease the service to be provided to the citizen such as passport, driving license etc. Government to business model help to regulate and

facilitate the business holder, industries or company such as system used by Inland Revenue Department, Custom Department and Company Registrar. Government to employee is used to communicate or maintain records of their own employee.

Major ICT systems used by Government of Nepal are given below:

- Integrated Tax System has been implemented by Inland Revenue Department to recorded, regulate and monitor the transactions of the tax payer. Each taxpayers need to submit tax return through the system. It is Government to business model of ICT use.
- ACYCUDA world is the software used by Custom Department to assess the custom duty and other taxes in the goods imported. It is also the Government to business model from which importer submits invoices and supporting documents to assess import duty through online system. The Department can monitor the assessment process in online platform.
- Ministry of Finance and Financial Comptroller General Office have implemented Line Ministry Budget Information System (LMBIS), Computerized Government Accounting System (CGAS), Treasury Single Account (TSA), Revenue Management Information System (RMIS), Subnational Treasury Regulatory System (SUTRA), Public Asset Management System (PAMS) etc. to record and report revenue and expenditure of three tier of Government. Such systems have enabled Government to get real-time revenue and expenditure of the Government. Recently, GON has started e-payment to ease the payment procedure.
- Public Procurement Management Offices operates eGP system, which has a feature to encourage fair procurement such as online submission, opening, evaluation and approval of bid through system.
- Department of Passport has recently implemented e-passport, that facilitates online submission of application, document processing, verification, maintain security of the information and printing of the passport.



- Department of National Identity Card and Vital Registration is operating system to issue national identity card to all citizen above 16 years and also registering the personal events.
- Department of Transport Management has implemented Electronic Driving License and Vehicle Registration System to get online application and maintain digital record of license holder. All information relating to vehicle including renewal and tax clearance are kept in the system.
- Office of the Company Registrar has been using system to register and monitor companies. Likewise, Department of Land Management and Archive also digitalizing all land record with digital map in the system. The system has a feature to facilitate the online registration pass of land and building.
- Currently, single window system is going to be developed as a single software to integrate the Custom Offices and other related Offices involved in providing import export service. Personnel Information System is used to record the personnel information of the Government employees.
- Public Service Commission facilitates online application system using the software. Likewise, Election Commission is also using voter registration software to record and update voter's information and issue voter identity card.
- Recently, Ministry of Information and Communication and Communication Technology has launched Integrated Office Management System, which is the office automation system that facilitate online communication from entity to entity. It also enable the internal decision-making process of the Office. E-attendance has been widely used by various offices. Nagarik apps is integrating all types of government services in one platform.
- Office of the Prime Minister and Council of Ministers using E-Project Monitoring and Evaluation system in which priority projects are connected. They provide physical as well as financial progress as well as the problems encountered during the execution.
- Supreme Court has operated its case management function through software, in which the status of daily running cases and other information relating to cases are presented.
- Recently, Office of the Auditor General Nepal has developed and implemented Nepal Audit Management System (NAMS). This system covers all steps of audit from planning to follow up. Risk based audit planning and execution, team planning, documentation, communication, follow up modules are developed. Audited entities can get credential in the system. They need to upload documents and response of audit observations through the system. It has interface to other government system such as TSA, SUTRA and CGAS. System has inbuilt data migration facility to get financial data from FCGO.
- Nepal Stock Exchange Ltd. is using Trade Management System (TMS) to facilitate online trading of the stocks. It increases the volume of trade and customer can buy and sell their share in hassle free environment.

Role of ICT in Good Governance

ICT has contributed a lot in the government operation. The ultimate objective of the government is to promote good governance, which is measured using the element mention in the earlier paragraph. Out of the different parameters of good governance, ICT contributes to improve effectiveness and efficiency, participation, transparency, accountability, corruption control, responsiveness and rule of law. The role of ICT to promote good governance can be described as follows.

- **Effectiveness and Efficiency:** ICT contributes in efficient and effective service delivery. It provides quick and reliable services. Efficiency can be increase through flexi time and place. People can get government service at anytime (24 hours 7 days a week) from any place. If physical presence is not necessary, service will be cost effective and hassle free. ICT reduces the practice of submitting same document to different agencies by sharing document between entities. It also reduces distance between



people and service provider and ensures more efficient administrative system by fostering a climate of trust and mutual gain. Standard IT applications are designed to enhance efficiency by avoiding repetition.

- **Participation:** It is one of the elements of good governance which can be improved through use of ICT. ICT plays vital role for better communication between citizen to government. It also encourages citizen participation in government operation. ICT can be used widely as a tool to bring every citizen into people governance interface and ease citizen feedback and monitoring mechanism. Thus, ICT contributes a lot to increase citizen participation on government operation that promotes good governance.
- **Transparency:** Public website are developed by using ICT that promotes transparency. Easy access to public documents through ICT in open data format reduces information monopoly. As citizen receives more and more information regarding the government services, it helps to track the expenditure and revenue of the government and performance. It is the important characteristic of good governance that can be promoted through use of ICT.
- **Accountability:** ICT removes superfluous human involvement by avoiding hierarchy system in public service delivery. It reduces nepotism. Procurement can be made transparent and fair through ICT. Integration of ICT in public administration ensure a transparency. Accounting, reporting and auditing process are facilitated and government operations are monitored using ICT tools. Thus, ICT promotes accountability and contributes in good governance.
- **Corruption Control:** While using ICT, the bureaucratic red tape (excessive paper and procedural works are eliminated. There will be no alteration facility. It breakdowns corruption loopholes and helps to control corruption. Likewise, as internal control strengthened and transactions are carried out transparently, reduce corruption which is the most important element of good governance.
- **Responsiveness:** ICT promotes responsive behavior of public officials. It reduces harassment to public

and public grievances are responded quickly. Better connectivity between different department reduces errors and ease service delivery. When ICT is used, it resolves the issue of over workload and malfunctioning administration system, which ultimately results good governance.

- **Rule of Law:** Rule of law is the important element of good governance. ICT effectively contributes to ensure legal compliance. Utilization of ICT creates rigid structure of administration and controls the issues of non-compliances. Some legislative provision such as import duty and tax assessment, and procurement are difficult to implement. It can create mega data base of the private property and also help to crime investigation by designing the system to upload system. ICT makes law easily accessible and serve as a medium of communication to enlighten citizen on prevailing laws then legal compliance increases. It also helps to provide access to court procedure and decisions and support on getting feedback in law making process. Thus, it promotes rule of law and contributes to good governance.

Use of Artificial Intelligence in Government Sector

Artificial Intelligence (AI) is the ability of process of making a machine intelligent in performing a task commonly associated with intelligent beings. It takes large quantities of data and learning from the data and determining ways to perform the task efficiently. AI can ease many government operations. It helps to perform many time-consuming tasks efficiently. Various countries around the world have already begun using artificial intelligence in service delivery. It is a pathway to the concept of faceless government. AI can be used in government sector in following ways.

- **Robotic process Automation:** It is the process of automating the repetitive task. Office automation, verifying the purchase and sales between the taxpayers and generating mismatch report, identifying fraudulent benefit claims in social security allowance by reviewing pattern of the claims with similar identity, phone number etc. are some examples where AI can be used in government operations.



- **Search Optimization:** It is favorable search mechanism. It supports decision system by extracting related or relevant information by interacting system with various government agencies to determine policy program. It analyzes the situation or trends of big data and predict the results. Thus, it facilitates policy research function of the government.
- **Natural Language Processing:** The most important feature of AI is to understand the human language. Some features are speech recognition answering device, customer service chatbot, answering FAQs by machine, filling form automatically, translation, automated content generation from consolidating report of different sections, automated exam paper marking system. Such features of AI can be used in government operations.
- **Artificial Neural Network:** It is the process of understanding pattern and predict the results. Such processes can be used to perform government function for example in domestic security by preparing crime maps to forecast next crime zone, monitoring traffic incidents by analyzing CCTV camera, analyzing traffic congestion, recognizing people by facial recognition technology, preparing invoice, certificate, letter, etc. by extracting information from the system.

Challenges

Nowadays, ICT is inevitable in government operations. It contributes to make service delivery more efficient and effective. However, there are several challenges while implementing ICT system. The most important challenge is relating to infrastructure and ICT literacy rate in the country. Reliable ICT infrastructure is still problem in the country. If the ICT facility and literacy is lacking, then digitalization public service may be difficult. Likewise, various government agencies are developing their own software. Integration of such software is lacking. Capacity limitation of government officials has affected digitalization process. Government offices do not have appropriate professional resources to develop, operate and maintain ICT software. Mostly, such activities are outsourced, and it demands much more resources to sustain ICT operations. Once such system is developed, in

the government offices, the offices always need to rely on the developers or the professionals. Government offices have no such clearcut policy to develop IT professional. So that the dependency will persist for the sustainability of IT system.

Data security and data quality are the important challenge for the success of digitalization. In this regards, input process and output need to be monitored closely. While using ICT, many officials having limited capacity may have to leave their job that affects the employment generation in the country. Finally, the change resistant behavior prevailing in the bureaucracy also impede service delivery through ICT.

Way forward

In conclusion, good governance is the proper management of the state, society, and resources. ICT plays vital role to promote good governance. It establishes better interaction between the government and the general public. ICT provides access of information and service to the citizen. It also encourages the participation of citizens in administration process. Thus, ICT promote good governance by providing effective efficient, accountable, transparent, and responsive administrative system. It also resolves the issue of corruption which is the most important element of good governance. However, data security and data quality, change resistance behavior, dependency in outsourced IT professional, capacity limitation of government officials, poor ICT infrastructure and literacy rate are the main challenges for digitalization of the government services. In this regard, Government of Nepal has formulated Digital Nepal Framework, 2019 which is important to cope with the challenges as mentioned the preceding paragraph. Framework determines policy on infrastructure development, manpower development and strategy for using ICT in each and every sector of government operations. Beside this, Government needs to ponder the concept of artificial intelligence and faceless government to optimize the use of ICT in promoting good governance.

Banking: How and Why in Economic Development !

The objective of banking industry in any nation is to aid in the economic growth by pooling resources of the nation and allocating same for the growth and development of the nation's economy. Hence, there must be direct and stable relationship between the growth of banking and financial sector with the economic growth of the nation.



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the establishment of Nepal Bank Ltd. by introducing metallic coins as the capital, since banknotes came into practice only in 1945 AD in the regime of the then King Tribhuvan. Later on in 1956 AD, Nepal Rastra Bank (NRB) has been established as the Central Bank of Nepal. Only in 1984 AD, Nepal saw private banks with the introduction of Nepal Arab Bank (now called Nabil Bank) which was followed by Nepal Indosuez Bank (now called Nepal Investment Bank) and Nepal Grindlays Bank (now called Standard Chartered Bank).

Current Status of BFIs and GDP of Nepal:

27 Commercial Banks, 18 Development Banks, 17 Finance Institutions, and 70 Microfinance Institutions are providing banking and financial service in Nepal with total Deposit of Rs. 4,662.73 Arba and Loans and Advances of Rs. 4,944.49 Arba. The size of total assets/liabilities of the banks and financial institutions accounts for 189% of the GDP of Nepal (Nepal Rastra Bank, 2021). The profitability of the Nepalese BFIs as on Mid July 2021 has found to be Rs. 71.81 Arba for financial year 2021/21;

History of Banking:

Banking is believed to have in practice even before the minting of the first currency. Historical record from various parts such as Rome, Greece, Egypt etc. have suggested that temples loaned money out in addition to keeping it safe – earlier rich people used to keep their wealth under the basement of the temple assuming the priest were honest and additional guards at the temple would be the extra security. Romans were believed to have established the first banking system, even allowing banks to confiscate land in lieu of the money owed to it. However, after the introduction of “invisible hand” by Adam Smith in 1776 AD, modern banking (as we are witnessing) has been started (Beattie, 2021). Formal institutionalized banking system in Nepal was started in 1937 AD with



the average growth of profits of the BFIs in the past 7 years has found to be 20.46%. Similarly, the balance sheet size of BFIs as on Mid July 2021 has found to be Ra. 6,068.99 Arba and average annual growth of 18.56% per can be observed in the past 7 years(NRB).

The size of the GDP of Nepal as on 05th January, 2021 is Rs. 4,266.32 Arba – it is lower than the total deposit of the BFIs as well as total loans and advances of the BFIs. Despite the significant growth of banking and financial sector, the total GDP of the nation could not take such a leap with average annual growth of 4.23% only in the last 7 years(Ministry of Finance, 2021).

Economic Growth and Growth of Banking and Financial Sector:

The objective of banking industry in any nation is to aid in the economic growth by pooling resources of the nation and allocating same for the growth and development of the nation's economy. Hence, there must be direct and stable relationship between the growth of banking and financial sector with the economic growth of the nation.

A research conducted in India has shown that there is a long run equilibrium relationship between the banking industry and the overall economic growth. The growth in domestic credit to the private sector and total assets and liabilities to the economic growth has found to be stable and positive relationship between the growth of banking and financial sector with the economic growth (Tripathy & Pradhan, 2011).

The higher return on assets of the bank aids in the long term growth of the economy, and the stability of banking and financial sector is crucial for providing continuous and long term support to the economy(Alam, Rabbani, Tausif, & Abey, 2021).

Other similar study conducted in Nepal has also shown that financial development indicators – broad money, domestic credit to private sector, and domestic credit from banking sector almost similarly and significantly contribute to the economic growth (Paudel & Acharya).

Gap Analysis of the Nepalese Financial and Economic System:

If the growth of banking sector is crucial in the economic development of the nation, then it is imperative to stringently regulate the same and make the banking and

financial sector reliable, transparent, and stable. In Nepal, banking and financial sector is regulated by the Nepal Rastra Bank (NRB); however, we lack multitude of structural and systematic development so as to ensure that the credit extended to the private sector is being utilized in productive sector and in the generation of employment.

Some of the problematic areas in the Nepalese economy and financial sector are:

➤ Taxation System:

Taxation system of a country is an integral aspect of its revenue necessary for financing public expenditures and social services for its citizens. Making it easier to pay taxes i.e. efficient and user friendly tax system will generate more revenue and increase the participation of the people unlike in the complex and haphazard system where people find ways to evade tax and engage more in corruption (The World Bank). Nepalese taxation system is somehow confusing and complex for the taxpayers to understand. When taxpayers find a system complex, they prefer alternative ways i.e. evasion of tax or bribe etc.

➤ Lack of financial access without real estate collateral:

The government has made provisions in the law for availability of the finance to the entrepreneurs who has a business model, and a sound business plan but doesn't own any real estate collateral to mortgage. However, banking and financial sector is skeptical and only a handful of people have access to such facility – and the real entrepreneurs who need fund are not even within the purview of such facility.

➤ Mechanism to track Drawing Power is not present:

Though NRB has recently proposed a Draft Working Capital Guidelines for regulating the working capital loans and advances of BFIs, it is still far from its effective implementation and monitoring. In the present times, no such stringent monitoring mechanism is there in the banking and financial system to track and monitor the 100% utilization of the working capital facilities for the said purpose. There are some businesspersons who have the mindset that they will get fund as much as they need just by mortgaging the real estate collateral, and bank is not going to question on its utilization if the repayment is



on time. If through scrutiny is done, we can find mis – utilized credit facilities in the tune that's not been reported anywhere.

➤ Increase in Real Estate Price:

Due to diversion of business loans into the real estate sector, and due to huge inflow of remittance, the price of real estate has skyrocketed in the past few years. This has twofold impact: first it freezes the fund into the real estate sector and there creates a lack of fund in the productive sector. Second one; due to lack of fund, interest rate rises and the real businesspersons get suffered due to this, and thereby increasing the price of goods and services leading to the inflation which the ultimate consumers had to pay for.

➤ Density of BFIs, and Financial Inclusion:

BFIs are more concentrated in the urban and semi – urban areas as compared to the rural areas. Population per branch ranges from almost 2,000 to 72,000, this shows that the gap is wider (Chaulagain, 2015). There are still few local levels where there is no presence of any BFIs. BFIs, most of them being a private entity, are profit motive, and they concentrate their operations in the urban and semi – urban areas as compared to the rural areas where NRB has mandated BFIs for opening branches. Financial inclusion is a major agenda for the Government of Nepal owing to its importance in the sustainable development of Nepal. Not only the presence of BFIs will suffice in the aid of economic growth, the financial literacy and awareness must also be increased for the inclusion of poor and marginalized people into the economic activities of the country (Pant, 2016).

Recommendation:

Even an outsider visiting Nepal for a few days can suggest dozens of things that will aid in the development of Nepal; being an active and contributing citizen of the country, I've come up with few areas where we can make an improvement which might be helpful in the development of the country. They are:

➤ Discourage Financing to Import:

Most of our day to day needs are presently fulfilled by imports. In fiscal year 2077/78 only, we have made an import of Rs. 1,539.83 Arba which is 28.66% more than

that of the fiscal year 2076/77. The import has seen a surge by 59.55% reaching to Rs. 838.40 Arba in the first five months of fiscal year 2078/79 as compared to that of the fiscal year 2077/78 (Department of Customs, 2021). We can easily understand that majority of the credit extended by the BFIs has been utilized for the import resulting in the huge trade deficit and outflow of the foreign exchange reserve. Import doesn't create that much employment rather creates a habit of being dependent on the products of other countries. Hence, financing for import must be discourages gradually to make it more unattractive.

➤ Discourage Financing to Trading Businesses:

Trading business having turnover in millions or even billions doesn't require that much manpower and it creates only a handful of employment as compared to the service industry and manufacturing industries. There is the dominance of trading businesses in Nepal, and thus it seems that economic activities are being carried out, but it has not created that much employment. A higher interest rate must be charged to trading businesses as compared to the manufacturing and service industries so as to discourage financing to trading businesses.

➤ Encourage Manufacturing Business:

If a person starting a manufacturing plant requests a BFI for credit, it will be a headache due to mountains of documentation process. On the other hand, if a trading business request for a loan, it is easier for such business to obtain the credit facility due to lesser documentation. There is lack of manpower who understands the manufacturing business cycle in the banking industry due to which they are reluctant to finance manufacturing industry. However, it creates a lot of employment, products become cheaper, and it will heavily contribute to the overall output of the nation. Hence, it is on the areas that BFIs must get specialized so as to drive the manufacturing industries to their full scale.

➤ Encourage Service Industries:

Service sectors are other areas which have a huge potential in Nepal and it could generate thousands of employment. Tourism, hospitality, health sector, information technology sector etc. can transform Nepal for the good,

and it is the area that the attention of the not only the BFIs but of the entire nation must be focused on. If we even look at the GDP composition of the developed nation, contribution from service sectors are higher as compared to agriculture and manufacturing industries (The World Bank, 2021). Hence, BFIs must specialize in financing and catering service industries for it has the potential for overall economic growth of Nepal.

Conclusion:

No economy can grow and flourish without a sound, stable, transparent, and healthy banking and financial system. It is imperative that the regulators and the concerned stakeholders understand this, and act accordingly. If BFIs are established only with the motive of earning profit, it would be catastrophic to the entire economy of the country, and BFIs itself. As a regulator, NRB must be stringent so as to implement the government's policy, and ensure that there is no diversion of fund, or mis – utilization of the credit. If the objective of BFIs is to lend and not ensure the utilization if the repayment is satisfactory, then it is a heinous crime against the country and its citizens.

Hence, it is the responsibility of the BFIs to ensure that the lending is being made in the priority and productive sector, and such lending is properly utilized. Also, it is the responsibility of the BFIs to educate and make the borrowers aware on their responsibility after utilizing the credit facilities. It will definably cater the economic development that we all desire for.

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Alarmed by the deteriorating BOP, credit growth continuously bypassing the deposit growth, and import capacity of foreign exchange reserve first time (in December 2021) falling below the monetary policy's threshold at 7 months, the half-yearly review of the monetary policy brought out on February 17, 2022 changed the bank rate from 5 percent to 7 percent, the SLF rate as the upper bound of the IRC increased from 5 percent to 7 percent, deposit collection rate raised from 1 percent to 4 percent, and the repo rate changed from 3 percent to 5.5 percent. However, there has been no change in the CRR and statutory liquidity ratio. Whatever change in the policy rates have been made do not seem to be sufficient for correcting the deteriorating BOP situation and restoring the import capacity of foreign exchange at 7 months' level, as projected by the monetary policy for fiscal year 2021/22.

The Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6), published by the International Monetary Fund (IMF) defines balance of payments (BOP) as a statement that summarizes economic transactions between residents and non-residents during a specific time period (IMF, 2009, p. 7). The BOP is a summary statement of receipts and payments of external sector transactions during a given period of time. When receipts exceed payments, the BOP is in surplus. When payments exceed receipts, the BOP is in deficit. The BOP is denoted as favorable or unfavorable as it turns out surplus / positive or deficit / negative respectively. As



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For the growth of such economic relations at the global level, countries need to promote exchange stability, maintain orderly exchange arrangements among countries, and avoid competitive exchange

depreciation. The IMF works as an international forum for providing necessary cooperation, consultation, and support in these respects. Among the six purposes of the IMF as laid down in Article 1 of the Articles of Agreement, the fifth and the sixth purposes because of their relevance to the BOP have been cited here: (v) to give confidence to member-countries by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting



to measures destructive of national or international prosperity and (vi) to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of member-countries. The Fund shall be guided in all its policies and decisions by the purposes set forth in this Article.

Article 4 of the Articles of Agreement mentions the obligations of member-countries regarding exchange arrangements. Section 1 of the Article 4 mentions the general obligations of member-countries as follows: Recognizing that the essential purpose of the international monetary system is to provide a framework that facilitates the exchange of goods, services, and capital among countries, and that sustains sound economic growth, and that a principal objective is the continuing development of the orderly underlying conditions that are necessary for financial and economic stability, each member-country undertakes to collaborate with the Fund and other member-countries to assure orderly exchange arrangements and to promote a stable system of exchange rates. In particular, each member shall: (i) endeavor to direct its economic and financial policies toward the objective of fostering orderly economic growth with reasonable price stability, with due regard to its circumstances; (ii) seek to promote stability by fostering orderly underlying economic and financial conditions and a monetary system that does not tend to produce erratic disruptions; (iii) avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other member-countries; and (iv) follow exchange policies compatible with the undertakings under this section.

The above provision highlights the importance of pursuing by member-country orderly and stable system of exchange rates devoid of any disruptive developments with respect to correcting the BOP problem. In a sense, the BOP problem is both a national and international phenomenon which could be multi-nationally addressed through recourse to the IMF assistance.

2. Balance of Payments Developments

Nepal's BOP has come into increasing attention due to the sharp deterioration in the foreign exchange reserve

capacity to sustain imports over the period of past 20 months. There has been BOP deficit for each of the first eight months (on cumulative basis) of the fiscal year 2021/22. During the previous fiscal year, i. e., 2020/21, BOP remained negative in only one month (June 2021) while the rest of the 11 months turned out BOP surplus. During the fiscal year 2019/20, there was BOP surplus for each of the 12 months whereas there was BOP deficit for each of the 12 months during the fiscal year 2018/19. During the fiscal year 2017/18, there was BOP deficit for the nine months except for the three months which showed BOP surplus. During the fiscal year 2016/17, there was BOP surplus for the ten months except for the two months which suffered BOP deficit. So, it is noted that during the past 68 months (beginning from fiscal year 2017/18 to the first eight months of fiscal year 2021/22), BOP was in surplus for the 36 months whereas BOP remained deficit for the 32 months.

Coming to the most recent period of the past 20 months (August 2020 through March 2022), the average monthly BOP amounted to a deficit of Rs. 26.3 billion, with the average BOP during the first 10 months (August 2020 through May 2021) recording a surplus of Rs. 77.8 billion and the average BOP during the last 10 months (June 2021 through March 2022) showing a deficit of Rs. 130.4 billion (Table 1). During the period of first 10 months, the capacity of foreign exchange reserve for import of goods and services averaged 12.9 months' equivalents which fell to 7.8 months' equivalents during the latter 10 months, recording an average erosion for more than 5 months' import equivalents during the latter period as compared to the previous period.

Accompanying such drastic erosion in the capacity of foreign exchange reserve for sustaining the equivalent months of imports were the banking sector's growth rates of deposit mobilization and lending. Banking sector's year-on-year deposit and credit growth rates for the first 10 months averaged 21.3 percent and 17.8 percent respectively whereas such growth rates during the latter 10 months averaged 18.0 percent and 27.1 percent respectively. While the deposit growth rate exceeded the credit growth rate by an average of 3.5 percentage points during the first 10 months, the credit growth rate far exceeded the deposit growth rate by an average of



9.1 percentage points during the latter 10 months. Such a mismatch between the deposit and credit growth deteriorated the BOP as well as the import capacity of foreign exchange reserve during the latter period.

3. No Worthwhile Corrective Measures Adopted During the Period

To counter the Covid-19 effects, monetary and fiscal easing became the world-wide phenomenon to which Nepal was also not an exception. To ease the constraints on the economy due to the Covid-19 effects, effective March 29, 2020, the cash reserve ratio (CRR) was reduced to 3 percent from the prevailing 4 percent, bank rate was reduced from 6 percent to 5 percent, and repo rate was lowered to 3.5 percent from 4.5 percent. The monetary policy for fiscal year 2020/21 that was unveiled on July 17, 2020 stated that there was sufficient liquidity in the banking system and the interest rate for credit was gradually declining, with prospect of greater economic expansion to address the Covid-19 effects. The monetary policy also reduced the repo rate to 3 percent from 3.5 percent. Besides, the deposit collection rate as a threshold rate of corridor was reduced from 2 percent to 1 percent. During the 12 months of the monetary policy's implementation, there was BOP deficit during only one month which amounted to Rs. 15.1 billion in June 2021. However, the import capacity of the foreign exchange reserve saw a decline from 15.6 months in August 2020 to 10.2 months in July 2021. The barometer had depicted vulnerability, indicating that the policy-makers show care, concern, and restraint with respect to the monetary management which has profound and substantial links to the external sector management.

The monetary policy for 2021/22 was presented on August 13, 2021. The monetary policy contends that liquidity will be managed for interest rate stability through the effective implementation of the interest rate corridor. Liquidity will be managed to support the expansion of the economy by emphasizing economic recovery along with containing consumer inflation at 6.5 percent in 2021/22. Monetary and external sector management will be carried out to maintain foreign exchange reserves sufficient to cover the prospective merchandise imports of goods and services for at least 7 months in 2021/22. Given the basis of nominal gross domestic product (GDP) for monetary

projection, growth of broad money (M2) and private sector credit were projected at 18 percent and 19 percent respectively for 2021/22. The CRR to be maintained by the banks and financial institutions (BFIs) was kept unchanged at 3 percent. Bank rate, used for the purpose of lender of the last resort facility by the BFIs, was kept unchanged at 5 percent. The standing liquidity facility (SLF) rate as the upper bound of the interest rate corridor (IRC) was unchanged at 5 percent. Deposit collection rate as the lower bound of IRC will be revised from 1 percent to 2 percent and the repo rate as the policy rate will be revised from 3 percent to 3.5 percent. The CRR, bank rate, and SLF rate were kept unchanged while the increases in the deposit collection rate and the repo rate were postponed for the future. Clearly, the monetary policy for fiscal year 2021/22 ignored the vulnerability of the BOP, evidenced by the BOP deficit averaging Rs. 2 billion during the last quarter of the fiscal year. The credit growth started outstripping the deposit growth since the last two months of fiscal year 2020/21 which has continued till eight months of fiscal year 2021/22 for which information is published.

Alarmed by the deteriorating BOP, credit growth continuously bypassing the deposit growth, and import capacity of foreign exchange reserve first time (in December 2021) falling below the monetary policy's threshold at 7 months, the half-yearly review of the monetary policy brought out on February 17, 2022 changed the bank rate from 5 percent to 7 percent, the SLF rate as the upper bound of the IRC increased from 5 percent to 7 percent, deposit collection rate raised from 1 percent to 4 percent, and the repo rate changed from 3 percent to 5.5 percent. However, there has been no change in the CRR and statutory liquidity ratio. Whatever change in the policy rates have been made do not seem to be sufficient for correcting the deteriorating BOP situation and restoring the import capacity of foreign exchange at 7 months' level, as projected by the monetary policy for fiscal year 2021/22.

4. Conclusion

The banking sector's effort in meeting the excess credit demand without recording similar growth in deposit mobilization would serve as a recipe for approaching external sector turbulence as experienced at the present moment. Reckless pursuit of profitability not backed

by adequate deposit growth could not only harm the individual banks and the banking sector as a whole but would also trigger wave of untold cost and misery to the economy and citizens alike. Banks should balance their individual role as a competitive player in the banking industry and as a responsible corporate body with national responsibilities to shoulder. Banks are advised that they remain self-restrained and self-regulated lest they might act as a trigger for the dangers and disaster in the economy. In that case, their prospects for further growth in the economy would come to a standstill. So, the banking sector in pursuance of their profitability should resist from expanding without borders if they have not been adequately backed by corresponding growth of deposit mobilization. Regulators are advised that they perform their roles and responsibilities in the best interest of the banking sector and the economy as a whole. The risk of economy slipping to the likely economic crisis before their own eyes attributable to their incompetent and misinformed handling of the economy does not at all seem justifiable and logical. We cannot make Covid-19

scapegoat all the time for all the wrongs committed on the economy.

The macroeconomy has been bleeding due to the partial, unsystematic, haphazard, and unintelligent way of handling it, especially during the period from 2018 till the present date. Excessive credit growth hurts the BOP which unaddressed for a reasonable time would act as a recipe for the impending financial meltdown. In an import-dependent economy where even food grains, vegetables and fruit have to be imported at a massive level, deteriorating foreign exchange level which has come from 15.6 months' import capacity in August 2020 to 6.7 months' import capacity in March 2022, below the mark of seven months' imports as prescribed by the monetary policy for the fiscal year 2021/22, calls for immediate reversal measures which, unfortunately, do not seem to be in the priority action of the officials. Maintaining BOP at a comfortable level thus underlies the crux of external stability in the Nepalese economy. So, monetary policy should be dedicated for controlling the unfavorable occurrences in the BOP like that happening at the present.

Table 1: Balance of Payments (Rs. Billion), Import Capacity (in months), & Growth (%) of Deposits and Credit

Year / Month (mid-July)	BOP (Rs.Billion)	Import Capacity (in Months)	Growth of Deposits (%)	Growth of Credit (%)
2020, Aug.	51.5	15.6	19.0	13.3
Sep.	67.6	14.9	18.7	13.3
Oct.	101.1	14.1	20.9	14.3
Nov.	110.6	14.0	20.8	15.7
Dec.	106.5	13.0	21.6	16.3
2021, Jan.	124.9	12.6	22.0	20.1
Feb.	97.4	11.9	22.4	21.8
Mar.	68.0	11.3	21.9	21.9
Apr.	42.5	10.8	23.0	21.1
May	7.8	10.3	22.2	22.2
Av. for first ten months	77.8	12.9	21.3	17.8
Jun.	-15.1	10.1	20.8	22.2
Jul.	1.2	10.2	21.4	26.8
Aug.	-38.7	8.3	19.6	27.9
Sep.	-83.4	7.8	21.7	31.0
Oct.	-76.1	7.8	17.2	29.7
Nov.	-150.4	7.2	17.2	28.5
Dec.	-195.0	6.8	15.9	28.5
2022, Jan.	-241.2	6.6	15.5	26.6
Feb.	-247.0	6.7	14.6	25.6
Mar.	-258.6	6.7	14.0	24.3
Av. for last ten months	-130.4	7.8	18.0	27.1
Grand Average	-26.3	10.4	19.7	22.5

Source: Quarterly Economic Bulletin, Mid-July 2021, Volume 55, Number 4, NRB, Kathmandu, Nepal & Current Macroeconomic and Financial Situation, based on eight months' data for fiscal year 2021/22

Financial Reporting of Hydropower Companies

In the context of Nepal, The Department of Electricity Development (DoED) provides license to survey, operate and build hydropower stations. Even though DoED provides license, the companies must enter into agreement with Nepal Electricity Authority (NEA) to sell the power produced by hydropower stations, at pre-determined rates. Here, it should be noted power producers do not sell electricity directly to consumers (bar few of the projects that are in existence since long) and are not willing to sell directly because of high cost of transmission and distribution.

Nepal has a huge potential with regards to one of the forms of clean/renewable energy i.e. hydropower. The theoretical potential generation capacity is considered to be 83,000 MW as per the thesis report of Dr. Hari Man Shrestha, 1966. No further study encompassing the whole nation has been conducted thereafter.

Recent years has seen significant increase in involvement of private sector on hydropower. There are currently 48 listed hydropower companies in Nepal Stock Exchange plus one hydropower under specific scheme of collecting fund from public in initial phases of construction. Even though the number of listed companies have been ever increasing with an average of 30% of such companies shares held by public, public accountability of such



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companies could be considered to be less in terms of financial reporting. In this write up, we try to evaluate the financial reporting status of all 49 hydropower companies with respect to compliance with financial reporting standards based on the annual reports of such companies for fiscal year 2077-78 and second quarter financial statements for fiscal year 2078-79.

Status of Companies

Of the 49 companies, majority are under operation and few are still under construction phase.

Company Status	No. of Companies
Commercial Operation	36
Construction	13

The status is based on the quarterly financial statement of Poush 2078.

NFRS dilemma in hydropower companies

There seems to be a dilemma amongst the preparer of financial statements regarding presentation of project assets in statement of financial position and income/expenses during construction phase in statement of profit or loss. The dilemma roots to



whether International Financial Reporting Interpretation Committee (IFRIC) 12 Service Concession Arrangement, is applicable to hydropower companies in the context of Nepal or not. Those who agree that IFRIC 12 is applicable have mostly presented financial statements with project assets under Intangible Assets under but without contract revenue/expenses in statement of profit or loss. Those who agree that IFRIC 12 is not applicable, have included the project assets under Property, Plant & Equipment.

The requirement of IFRIC 12 can be summarized as below:

- Applies to “public to private service concession arrangement” (even though public to private arrangement is not defined, it has been used synonymously with “build-operate-transfer”)
- Applies if “**grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price**” and “**the grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the infrastructure at the end of the term of the arrangement**”

In the context of Nepal, The Department of Electricity Development (DoED) provides license to survey, operate and build hydropower stations. Even though DoED provides license, the companies must enter into agreement with Nepal Electricity Authority (NEA) to sell the power produced by hydropower stations, at pre-determined rates. Here, it should be noted power producers do not sell electricity directly to consumers (bar few of the projects that are in existence since long) and are not willing to sell directly because of high cost of transmission and distribution. The license also specifies the period after which the project is required to be handed over to government/NEA at nominal value of Re. 1.

Status of NFRS compliance in annual report

All listed companies are required to prepare annual financial statements in line with NFRS, as per NFRS implementation plan rolled over by The Institute of Chartered Accountants of Nepal. Of total 49 companies, annual financial statements of 15 companies was not available in either NEPSE website or company website.

Of such 15 companies, only 5 companies are under construction phase. 67% of total listed hydropower companies have not published annual report to public till Chaitra end 2078.

Of remaining 34 companies who has made the annual report public, the analysis of companies has been carried out with regards to NFRS in two main headings:

- i. Presentation of project assets in financial statements
- ii. Presentation of statement of profit or loss

The analysis revealed the following status:

i. Presentation of project assets in financial statements

Basically, two major presentation category was noted, either as Property, plant & equipment or as Capital work in progress/Assets under Development/Intangible Assets under Development.

The number of companies under each category was as follows:

Project Assets Presentation	No. of Companies
Capital Work in Progress/Assets under Development/Intangible Assets under Development	9*
Intangible Assets	8
Property, Plant and Equipment	17
Total	34

**One company has transferred CWIP amount to PPE after it came to operation during 2078-79.*

Most of the companies have presented project assets as Property, plant and equipment in its financial report.

ii. Presentation of statement of profit or loss (SOPL)

While analyzing the presentation of SOPL of companies that are under construction phase (13 companies), annual as well as quarterly report of four companies were not available. On remaining nine companies, three types of presentation modality of SoPL was noted. Companies either presented zero figure in SoPL, or presented certain administrative

expenses and other income in SoPL or presented contract revenue and cost in SoPL. Numerical status of companies under each type of presentation was as follows:

Project Assets Presentation	No. of Companies
Zero figure	2
Administrative expenses and other income	6
Contract revenue and cost	1
Total	9

Most of the companies presented certain

administrative costs and other income in SoPL in annual as well as quarterly financial reports.

Auditor's Report on Annual Financial Statements

Auditors are entrusted with forming an opinion on the financial statements of companies, in line with applicable financial reporting framework, i.e. NFRS in case of listed hydropower companies. On analysis of the types of auditor's report, it was noted that the report was either unqualified or disclaimer along with a single qualified opinion. There is no any audit report with adverse opinion.

Type of Audit Opinion	No. of Companies		
	Commercial Operation	Under Construction	Total
Unqualified	14	6	20
Qualified	-	1	1
Disclaimer of opinion	12	1	13
Financial statements not available	10	5	15
Total	36	13	49

A brief overview of auditor's consideration for issuing specific type of opinion is as follows:

Qualified opinion

In audit report of one company, auditor has explained in qualification that even though IFRIC-12 is applicable, the company has not applied such standard, thus the presentation is misleading. While stating so, auditor has explained that the company is setting up project under license granted by DoED under Ministry of Energy and is required to supply power to Nepal Electricity Authority at a rate pre-determined in power purchase agreement and the residual interest of project infrastructure lies with the Government.

Disclaimer of opinion

In most of the audit reports with disclaimer of opinion, auditor has explained that as financial statements have not been prepared as required by NFRS and the impact of which is uncertain and could be material and pervasive, audit opinion is not expressed on such financial statement.

Unqualified opinion

On financial statements where the audit opinion is unqualified, the financial statements include a note on

non-applicability of IFRIC 12. Company has described the matter in following manner:

- Company sells energy to NEA independent of price charged by NEA to its customers
- License provided by DoED does not oblige company to sell energy to NEA or any specific buyer
- Company does not receive specific concession for use of natural resources
- Company sells energy to NEA and not directly to consumers
- Company has title to assets and can pledge such assets with financial institutions

In addition, on the hydropower companies promoted/controlled by NEA, it has been specified that such company is a body where the majority of the capital investment has been done by a public-service entity i.e. NEA. Nepal Electricity Authority itself plays a major role in the management of the services provided by company. Thus IFRIC-12 is not applicable.

Professional Competence

From above analysis and description and analysis of management and auditors, it seems that for a same matter,



the corporate world as well as auditors have polarizing views. On same nature entity, it's actually a matter for the corporate sector as well as auditors to be serious that, in general, such polarizing views on a specific matter, that too on interpretation of accounting standard, should not have formed.

Auditor's, being respected as experts on the area of financial reporting standards, might actually lose their reputation or credibility if such polarization exist on the interpretation of standards.

Way Forward and Conclusion

We can't deny the fact that the hydropower sector and auditors seems to have different views on applicability of IFRIC-12, which should have never happened. The Institute of Chartered Accountants of Nepal, being the authority to regularize accounting profession and implement standards, and entrusted by its Act to act in good faith of the profession, might need to come up with a solution for ensuring that harmony of interpretation and application of financial reporting standards exist on such confusion matter.

Notice to Member

21st World Congress of Accountants (WCOA)

The Institute of Chartered Accountants of India (ICAI) is hosting the 21st World Congress of Accountants (WCOA), to be held from November 18-21, 2022 at Jio World Centre, Mumbai, India, in Hybrid mode (both physical and virtual mode). WCOA is held once in every four years and India is the first country among the South Asia to host the World Congress of Accountants this year.

We would like to inform you that the Organizing Committee on WCOA has decided to give 15% discount to the members of SAFA member bodies to participate in the WCOA , 2022 as SAFA is the Supporting Organization' for promotion of WCOA, 2022. The members of SAFA member bodies (including ICAN members) can use the promo code **SAFA15** to avail this discount. The Special discount would be in addition to the Early Bird Registration Discount.

Hence, all interested members of ICAN to participate in the 21st WCOA may follow the link below for registration.

Registration Link: <https://www/wcoa2022mumbai.org/register>.

For the brochure of WCOA, 2022, [Click Here](#)

The ICAN members willing to participating in this program have to bear all expenses (registration and or travel related) themselves and ICAN will not provide any financial support in this regard.



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Management and Micromanagement

The habit of micromanagement comes due to various reasons some pertaining to the skills, confidence and capacity of the manager, some arising out of the nature of work, criticality of mistakes or the skill level of subordinates. But in total, when a manager turns to a micromanager, he no longer remains a coach, guide or developer.

Introduction

Delegation of tasks and getting them done through subordinates is a customary part of profession in management. Though tasks are delegated the delegator is not absolved of its responsibility and he/she has to take care of how the things are going on. The concern of supervision and monitoring arises from this. At this point, difficulty arises when managers tend to surpass the level of supervision and unconsciously and inadvertently become micromanagers. Micromanagement is considered an inappropriate overgrowth of management practice though the intention of 'micromanagers' is not bad in itself. Here in this paper, it is attempted to explore the concepts of micromanagement, the causes



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and symptoms of a micromanager, its harms on employees' morale, development and the overall health of the working climate of an organization before arriving at a balancing line of argument at the conclusion.

Manager to Micromanager

Management is in fact, much difficult and complex than one feels while reading, teaching and writing about. The difficulty in most of its part can be attributed to the complexities of human psychology and reasoning system. The basics of management is taught

and understood in an oversimplified form as the aggregate of the functions of planning, organizing, staffing, leading and controlling around the central purpose of achieving the goals of the organization. However, these functions are neither separate nor they come one after another as the distinct and ordered steps of a mechanical process. So, management is more an art than a science. Managers have got to work in no clearly set out steps, formulas and calculations; rather they have to adjust their styles, instincts and emotions as per the situations



and the team which they have. Personalized differences in approach are significant and such differences manifest in one form or the other in the activities of management.

People in organizations are different by their habits and dispositions. Come from different background and professional history, it is natural that they exhibit different behaviors at work. Different habits and philosophies are reflected in the way managers exercise the authority in the organizational settings. When it comes to delegation, some bosses give interesting observations to be noticed. There are some who are tempted to enquire the progress of delegated tasks quite frequently, get 'CC' of every email, look over the subordinate's shoulder while they are working on something, provide suggestions at each trivial matters and like to confirm and feel assured that the work is being carried out the way that (they feel) is right rather than expecting any creativity and new ideas from the part of the subordinates. They are always desperate of getting reports as Serrat (2011) terms as 'report mania'. Upon any delays or failures in getting the updates, they feel quite suspicious and paranoid of deceptions, trickeries, and disobedience to their authority. This kind of behavior that sounds like an antithesis of delegation is referred to micromanagement.

Micromanagement is a term that almost all like to dispel. Nobody admits that he/she is micromanaging. Similarly, nobody enjoys being micromanaged. Micromanagement simply means a superior taking unnecessary interest in the tiny details of the work of subordinates and interfering exasperatingly instead of providing a reasonable supervision and guidance. A micromanager is much tempted to oversee the tiny details like font size of the letter, language use, calculation and tabulation methods while the subordinate is working on something. He/she likes to confirm every step is going the way he/she is feels right. It is not necessary that a micromanager does so to intentionally harass or hinder their morale. He/she may be doing for the sake of good results and to ensure that mistakes and deviations are minimized.

The habit of micromanagement comes due to various reasons some pertaining to the skills, confidence and capacity of the manager, some arising out of the nature of work, criticality of mistakes or the skill level of subordinates. But in total, when a manager turns to a

micromanager, he no longer remains a coach, guide or developer. He promotes no motivation, creativity and a sense of responsibility in subordinates. Such a conversion becomes more harmful than beneficial to the people as well as the organization.

The next aspect to explore is about how an employee feels and what happens to his/her motivation, morale and development being micromanaged. Cangemi (n.d.) enumerates some points on this. Micromanagement creates self-doubt in employees. They lose confidence in their own abilities and competencies. They feel themselves as unimportant and untrusted people in the organization. Always muzzled, constricted and confined, the good and potent people tend to wonder and question the very relevance of their being in the organization while mediocre and less competent may continue with the "comfort" of work-life. From the standpoint of executive development of people, this kind of management creates only dependent employees in the organization. The organization will have people who rather than independently think and explore would opt to say little, work little and stay careful and cautious not to 'displease' the boss. Any unpleasant data and information even when that is important to communicate, draw attention to and address may also remain buried in a pledge to keep the micromanager boss satisfied.

Causes and Symptoms

White Jr. (2010) views micromanagement like an ailment and suggests the symptoms, diagnosis and measures for cure. Managers who are promoted but are not skilled/learned to deliver the higher-level jobs, tend to fill the time by micromanaging what they have remained habituated to. Some are like micromanagers by birth. They feel so scared and suspicious of delegating the tasks and cannot just resist micromanaging.

Regarding micromanagement, there are some psychological roots to explore. A person is in a sense, a complex psychological entity. People are social beings but interestingly there often comes an element of social anxiety disorder. They are often afraid of each other. In an organizational setting, when afraid of non-cooperation, defiance, betrayal, tricks and hidden games, a manager hardly raises a subject or put views open



for discussions. Meetings reduce to arid, dry formalities. No hearty discussion takes place. Views put forth are also subject to prejudiced interpretations and multiple meaning making. This kind of fear and distrust could induce the subordinates to “play safe” and avoid any controversies or allegations in work. This makes managers more conservative and loath to delegating giving rise to the habit of micromanagement.

Micromanagement can also be viewed as a product of the inertia, ‘hangover’ or the lack of preparedness while one gets promotion in the career ladder. The type of skills and responsibilities of an employee keep changing when one moves up the levels in the hierarchy. While operational concerns and technical issues form a major part of work at lower levels, one has to have a more strategic thinking and needs to visualize a bigger picture being promoted to higher positions. Failing to assume this kind of change in mindset to fit the position, a manager tends to put attention on what jobs he/she is already comfortable with. He/she tends to scrutinize, second-guess and interfere in the operational matters that are carried out under the jurisdictions of subordinates. Though the micromanager often defends the interference as a support or help for ensuring good outcomes, the appropriate timing and rhythm of providing guidance or help are violated. The subordinate does not relish the support; rather feels irritated or insulted as if not been capable of working anything independently. This thwarts the creativity of mind and hinders the executive development of the employees.

An interesting point is that micromanagers do not easily realize that they are micromanaging. They do not reflect and take stock of how their behavior is hindering the development of people and augmenting a lazy culture in the organization. They simply fail to reflect on what type of people the organization will have to their succession in the increasingly complex and competitive world of future. This in the “power-love” of bosses and preference to “safe-play” of subordinates continues and flourishes the culture of micromanagement silently damaging the potential of the people as well organization.

Micromanagement is not harmful to the employees only; its harmful to the micromanager boss too equally. It kills

the time and energy that the boss which otherwise could be used for important works of strategic planning and policy exercise. He also remains preoccupied of mundane matters and spends sleepless nights due to own difficult habit.

Critics have harshly commented about micromanagement and micromanagers. As Okpara (2017) observes, it is likened to narcissism and micromanagers are accused of being psychopathic people, control freaks, paranoid, incompetent and responsible of creating toxic environment in organizations.

Is it totally bad ?

Before coming to the verdict to whether micromanagement is good or bad, it is better to look at the other extreme, macro-management. Macro-management refers to the inclination to seeing the big picture rather than supervising the tiny details of work. A micromanager does not provide concrete rules or guidelines for work; he/she rather sets the context and leaves to the subordinates to explore and perform. While micromanagement makes people feel excessively ruled and constrained of their creativity, macro-management can make people - especially novice and learning employees at the beginning of the career - feel like less supported and cared by management.

As Krames (2002) observes in his book **The Welch Way**, the veteran CEO Jack Welch actually didn’t like the term “management” itself. To him as it carried a negative impression of controlling or stifling the people. Instead, he preferred ‘leadership’. He always suggested managing less. But the more momentous question is how much is that less? What is the right ‘dose’ of management? A doctor determines the right dose of medicine based on the age, weight and other relevant physiological attributes of the patient; but how is it in the context of management?

Micromanagers are basically not bad in their intentions. The fundamental motive that makes one a micromanager is nothing dishonest. Behind the act of micromanaging, there is a fascination for good results, high performance, less deviations and an intention of constructive support to the subordinates. But unknowingly and innocently, the manager out of desperation happens to intervene on tiny details that could be independently dealt by the



subordinates. The manager apprehends the creative mind of employees.

Conclusion: Finding a balance

The job of managers in many respects demands finding a tough balance between contradictory opposites. As Gosling and Mintzberg (2003) observe, plain old management is much confusing and complicated. Managers are told to be global as well as local. They have to collaborate and compete as well. They have to embrace change and at the same time, maintain order and identity. Thus, they have mostly got to integrate apparently contradictory concerns rather than choose one or the other. The same goes about micromanagement too.

Though widely condemned, micromanagement is not inherently bad. Managers tend to micromanage their subordinates out of the good intention to get things right way. Many novice employees in fact need a close guidance and moral backing to learn and proceed in the new setting they are subjected to. The exceptionally successful managers like Steve Jobs, Jeff Bezos, Bill Gates and Wall Disney also were contemptuous micromanagers someday. Bill Gates is amusingly described as memorizing the license card number of employees and tracking who works the longest hours looking out the license plates in the parking lot¹. Steve Jobs was ousted from his role as the head of Macintosh Division owing to the confusion and fear created by his micromanagement². Those were the earlier days. Social and cultural values keep changing. Employees today favor openness, creativity and exposure. They want to take some risks, exercise some judgment, learn by mistakes and develop rather than staying 'safe' under close guidance and scrutiny of bosses in every step of work. So the idea of micromanagement is unpopular. This has an impression of being against the spirits of corporate democracy that the people of emerging generation seek. The matter of what level of micromanagement is appropriate can differ with the type of industry, level of competence of the people and criticality of mistakes and failures in the work. Management today is more enabling and developing people than directing and controlling. So, the need is first to read and take care of the emotional effect and response of subordinates to the approach of

management that inadvertently grows to what is labelled as micromanagement.

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Operational Risk Management in Banks and Financial Institutions

An effective monitoring process is essential for adequately managing operational risk. Regular monitoring activities can offer the advantage of quickly detecting and correcting deficiencies in policies, processes and procedures for managing operational risk. Promptly detecting and addressing these deficiencies can substantially reduce the potential frequency and/or severity of a loss event.



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Introduction

Operational risk is an inevitable in all the activities of Banks and Financial Institutions (BFIs). Financial services are much more prone to operational risk due to its activities, high volume and numbers of transactions, increased size and the prevailing business environment. No doubt, technological development is easing on delivering financial services but it is also increasing operational risk of Banks and Financial Institutions.

The financial services are based on faith and trust so a minor incident may also spoil the image/reputation of Banks and Financial Institutions and also affect Banks and Financial Institution's business.

There is a serious threat of operational risk to Banks and Financial Institutions

in current market scenario. BFIs are facing various operational issues such as transactions intentionally not reported, breach of delegation of authority, payment made against fraudulent withdrawal, involvement of staff in frauds in loan & Advance a/c through submission of fake title deeds/fake documents, involvement with valuator in property price inflation, loan against pledging of fake ornaments i.e. Gold & Silver, ATM and credit card fraud, failure to lodge claim to insurance on time, cash missing from safe vault and cash counter, fraudulent withdrawal from accounts

through forged cheque/signatures, financing of fictitious borrowers, loss of cash in transit, disclosure of client data to unauthorized person, money laundering, product defects, hardware and software failure, failure of main electricity or back-up power supply and miscommunication with customers, employees or other parties, losses resulting from failure to follow policies/guidelines/procedures and lack of proper control functions etc. These operational issues create operational risk in financial sector.

Nepal Rastra Bank (NRB) has also issued Risk Management Guidelines



and Directives to manage the risks associated with the transactions and accordingly the Basel has already placed the principles for the sound management of operational risk to support to manage operational risk comprehensively in Banks.

Banks and Financial Institutions in Nepal have to follow the Risk Management Guidelines and Directives issued by Nepal Rasta Bank. As per NRB guidelines and directives, BFIs have to develop operational risk management policies and guidelines, which must have tools or techniques to manage people, process, system and external events. BFIs also need to have in place Disaster Recovery and Business Continuity Plan and drill should be done annually on it. However, BFIs are not adequately follow the guidelines and directives of NRB due to lack of its adequate operational risk management guidelines and tools or techniques in place. BFIs are using their specific policies, guidelines and operation manuals, which are not enough to manage above mentioned operational risk.

Definition:

As per Basel Committee, operational risk is defined in the capital framework as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Operational risk can result not only in direct losses (i.e., direct expenses), but also can impact service, revenues, competitive advantage, etc. (known as indirect losses). Banks consider only direct losses to set aside capital for operational risk.

Operational risk mainly arises from inadequate or failed processes, arises from the employee's intentional or unintentional activities, failures in the BFIs software & hardware and external events. The operational risk is an important material risk, which must be managed effectively.

Causes of operational risk:

Deregulation and globalization of financial services, together with the growing sophistication of financial technology, are making the activities of Banks and Financial Institutions and its profile more complex.

Evolving Banking practices suggest that risks other than credit risk and market risk can be substantial.

The major causes of increased operational risk are:

- **Highly Automated Technology** - If not properly controlled, the greater use of more highly automated technology has the potential to transform risks from manual processing errors to system failure risks, as greater reliance is placed on integrated systems.
- **Emergence of Digital and E-Commerce** – Growth of digital and e-commerce brings with it potential risks (e.g. internal and external fraud and system securities issues)
- **Emergence of BFIs** - Acting as very large volume service providers creates the need for continual maintenance of high-grade internal controls and back-up systems.
- **Outsourcing** – Growing use of outsourcing arrangements and the participation in clearing and settlement systems can mitigate some risks but can also present significant other risks to BFIs.
- **Large-scale acquisitions and mergers** - Large-scale acquisitions and mergers bring different people, process, systems and work culture, which can create operational risk.
- **Lack of internal control and risk based audit** - BFIs, which have lack of internal control and risk based audit can create operational risk.

The operational risk management process starts with:

- identification,
- assessment,
- measurement,
- monitoring and
- controlling or mitigating

Identification of operational risk:

The Basel Committee has identified the following types of operational risk events as having the potential to result in substantial losses:



- Internal fraud. For example, intentional misreporting of positions, employee theft, and insider trading on an employee's own account.
- External fraud. For example, robbery, forgery, cheque kiting, and damage from computer hacking.
- Employment practices and workplace safety. For example, worker's compensation claims, violation of employee health and safety rules, organized labour activities, discrimination claims, and general liability.
- Clients, products and business practices. For example, fiduciary breaches, misuse of confidential customer information, improper trading activities on the BFI's account, money laundering, and sale of unauthorized products.
- Damage to physical assets. For example, terrorism, vandalism, earthquakes, fires and floods.
- Business disruption and system failures. For example, hardware and software failures, telecommunication problems, and utility outages.
- Execution, delivery and process management. For example: data entry errors, collateral management failures, incomplete legal documentation, and unauthorized access given to client accounts, non-client counterparty and vendor disputes.

Effects and causes:

In addition to risk events types, the BFIs are encouraged to also study the operational risk in terms of "Effects" and "Causes".

Effects:

The consequences or impact of the event. Effects are a combination of hard losses and indirect consequences such as reputation, service, regulatory exposure or business interruption.

Causes:

The fundamental cause or control that failed and permitted a risk to be incurred. The four main causes of operational risk, which are briefly defined below:

1. Process – the risk causing from inadequate or failed internal processes.
2. People – the risk causing from the intentional or unintentional actions of employees and/or management.
3. Systems – the risk causing from inadequate or failed system infrastructure including network, hardware, software, communications and their interfaces.
4. External Events – the risk causing from events outside of the BFIs direct or indirect control e.g., earthquake and other natural calamities.

Assessment of operational risk:

The BFIs would assess its vulnerability to risk events. The tools available for operational risk are:

■ Self-assessment known as Risk Control Self-Assessment (RCSA):

RCSA is internally driven tool, which incorporates check lists or questionnaires to identify the strength and weaknesses of the operational risk environment. It is used to rank the different types of operational risk exposures to specific business line with the help of check lists or questionnaires as decided by workshop or operational risk management committee.

■ Risk Mapping:

Risk Mapping is useful to map the risk type with various business units or process flow and this exercises can reveal areas of weakness and help prioritize management action.

■ Key Risk Indicators:

Key risk indicators are the metrics, often financial, which can provide insight into the BFIs risk position. The metrics or indicators may include number of failed trades, staff turnover rates and severity of errors and omission.

■ Incident risk register:

Events that have occurred at the branches need to be captured and keep record of it for future references to manage operational risk.

Measurement of operational risk:

A key component of risk management is measuring the size and scope of the BFIs risk exposures. The risk assessment techniques are dependent on the size and complexity of the portfolios of BFIs, BFIs resources and the data availability. The examples of measurement are:

- **Matrix approach:**

Losses are categorized according to the type of event and the business lines in which the events occurred.

- **Historical loss experience:**

Historical risk events are assessed based on total number of risk events, total financial reversals, net financial impact, total number of customer complaints paid out and IT uptime.

- **Apart from actual risk events potential risk should be examined for the future:**

Potential risk includes process complexity, business complexity, changes, Extent of Outsourcing of activities, Expected spurt in volumes and Audit scores.

- **Potential losses can be broadly categorized as:**

High frequency Low Severity (HFLS) events. Examples are: Teller mistakes, minor accounting errors. Low Frequency High Severity (LFHS) events. Examples are: Major fraud, Terrorist attacks.

Monitoring and reporting of operational risk:

An effective monitoring process is essential for adequately managing operational risk. Regular monitoring activities can offer the advantage of quickly detecting and correcting deficiencies in policies, processes and procedures for managing operational risk. Promptly detecting and addressing these deficiencies can substantially reduce the potential frequency and/or severity of a loss event.

Branches of BFIs should monitor the operational risk through list of questionnaires and incidence loss report or other tools as decided by BFIs. The province offices must supervise and report to the head office on time to manage operational risk.

Mitigating Operational Risk:

Risk management is the process of mitigating the risks faced by BFIs. With regard to operational risk, several methods may be adopted for mitigating the risk. For example, losses that might arise on account of natural disasters can be insured against. Losses that might arise from business disruptions due to telecommunication or electrical failures can be mitigated by establishing redundant backup facilities. Loss due to internal factors, like employee fraud or product flaws, which may be difficult to identify and insure against, can be mitigated through strong internal riskbased audit.

Operational risk events in the Banking activities impact the reputation and financial stability significantly. A lack of strong risk mitigation strategies results in various operational failures, leading to crises in the financial system.

BFIs must implement a strong control environment that utilizes policies, guidelines, processes, systems, internal control and appropriate risk mitigation strategy. Internal controls have been designed to provide reasonable assurance that BFI has competent and effective operation to safeguard its asset and produce reliable financial results in line with BFI's objectives, its policies, guidelines and prevalent laws and regulations.

BFIs must ensure that regular internal control measures are in place appropriately to address operational risk.

BFIs can apply following measures or actions to control or mitigate operational risk:

- **Establishing effective internal control system:**

BFIs must establish strong internal control procedures to manage the regular activities or transactions by defining control activities of every business level.

- **Insurance:**

Insurance facilities should be used for losses that may arise from natural disasters, robbery, fidelity insurance (for losses that may arise from dishonesty of employees) etc.



■ **Back up facilities:**

BFI should use back up facilities against possible losses that may arise from business disruptions, electrical or telecommunications failures.

■ **Business continuity plan:**

Business continuity plan is an important document, which contains various plans along with responsibilities and accountabilities of employees. It contains how to restart the business if business is being halted due to unforeseen circumstances. Plans should be tested to ensure that they can be executed taking into account different types of plausible scenarios to which BFIs may be vulnerable.

■ **Segregation of jobs and duties with appropriate accountabilities:**

Each employee's job and duties should be segregated with job description and accountability to manage daily activities to reduce operational risk.

■ **Effective training to employees:**

Each employee must be provided training on BFI policies, guidelines, manual, information system, prevalent laws and regulations to enhance efficiency and to reduce operational risk.

■ **Test the employee's knowledge:**

BFI should conduct online test of employees on various products, process, system or CBS, policies and guidelines.

■ **Establishing a strong ethical work culture:**

Human resource management department of BFI should give ethical related training or coaching to existing and new employees through top level management to develop a strong ethical work culture.

■ **Reduce complexity in different business processes and activities:**

BFI should periodically modify the complex business processes to reduce the complexity in different existing processes and activities to manage the operational risk.

■ **Regular verification and reconciliation of transactions:**

Transactions of BFIs must be verified regularly by operation in charge or in charge of the business unit to manage operational risk. The pending accounts or activities should also be reconciled to manage operational risk.

■ **Apply effective "4 Eye Principles" in all financial transactions:**

The BFIs must apply "4 Eye Principles" in all the financial transactions to reduce operational risk.

■ **Periodic risk based audit function:**

Internal audit functions play an important role to reduce operational risk such as embezzlement by employees and product flaws etc. BFIs should do periodic risk based audit of the business units to manage the operational risk.

Conclusion

Magnitude of operational risk may be beyond expectation. There is no limitation on operational risk. Operational risk management plays an important role to upgrade the reputation of the institutions. Banks and financial institutions can apply adequate measures to control or mitigate operational risk in its business activities to achieve its objectives. Banks and financial institutions must have an integrated approach to identifying, assessing, measuring, monitoring, controlling and reporting of operational risk.

Moreover, BFIs must develop and implement operational risk management policies, guidelines and manuals. BFIs must train its newly recruited staff about its operational risk related guidelines, manuals, core banking solutions and know your customer. BFIs must drill on Disaster Recovery and Business Continuity Plan annually. BFIs must implement succession planning, job rotation, job description, standard operating procedure, real time reporting mechanism, risk based audit and risk management solutions to minimize operational risk.

Every possible effort should be taken up to control and minimize operational risk as a preventive measure besides strictly following the regulator's rules and regulation.

On the top of the above, vigilance, over sighting of the competent officials are also equally important to analyze the situation and handling the same. Risk Management courses will be incorporated in professional courses and related academic field as well.

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सूचना

Unique Document Identification Number (UDIN) लागू गरिएको बारे

नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था नेपालमा लेखा व्यवसायको विकास, संरक्षण र सम्बर्द्धन गर्नका लागि नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३ अन्तर्गत स्थापित एक स्वायत्त र नियमनकारी निकाय हो। यस संस्थाले उल्लेखित ऐन र सो ऐन अन्तर्गत बनेको नेपाल चार्टर्ड एकाउन्टेन्ट्स नियमावली, २०६१ को अधिनमा रही नेपालभित्र लेखा व्यवसायको प्रवर्द्धन, जनशक्ति उत्पादन, लेखापरीक्षण गर्ने अनुमतिका लागि पेशागत प्रमाणपत्र प्रदान गर्ने र लेखा व्यवसाय नियमन गर्ने कार्य गर्दछ।

यस संस्थाद्वारा लेखा व्यवसाय प्रति सामाजिक मान्यता र विश्वास अभिवृद्धि गर्न तथा गैर कानूनी लेखापरीक्षणलाई रोक लगाउने उद्देश्यले Unique Document Identification Number (UDIN) २०७६ कार्तिक १ गतेदेखि अनिवार्य रूपमा लागू गरेको छ। संस्थाबाट पेशागत प्रमाण पत्र प्राप्त सदस्यहरूले आफ्नो व्यावसायीक प्रयोजनको सिलसिलामा हस्ताक्षर गरिने कुनै पनि प्रकारको प्रतिवेदनहरू (जस्तै बाह्य लेखापरीक्षण, आन्तरिक लेखापरीक्षण, कर लेखापरीक्षण, Due Diligence Report, Valuation Report तथा अन्य प्रतिवेदनहरू) मा अनिवार्य रूपम १८ Digit को UDIN समावेश गर्नुपर्ने व्यवस्था गरिएको छ।

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Procurement and Management of International Contracts

Global Contracting means we have to integrate more with global partners in different countries. It brings a greater set of complexities to project activities. Apart from tactical issues, culture and cross-border relationships are equally important. It is important to recognize that international contracts may provide significantly increased risks. Careful consideration of these issues both before and during negotiation is required to ensure that the risks are minimized.



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Key Aspects of International Contracts

An international contract is similar to any other contract we enter into. There is a document, which clearly sets out the intention of the parties in relation to the proposed transaction. Standard forms of construction contracts are commonly adopted in large construction projects, like created by FIDIC (red, yellow, silverbook) which is designed to create a safer environment for contracting parties. Standard forms of contract include a fairer allocation of risks depending on the type of project and keep the best practices and innovations together.

Need of international contracts

International Bidding enables effective competition and gives equal opportunities for

businesses to participate in global procurement activities. Sales or Procurement of goods/services are not limited within any geographical boundaries now. Globalization has prepared a global market for all set of goods, services and expertise. It promotes competition between suppliers, resulting in best “value for money” for purchasers and users. International bidding offers a kind of transparency and help avoid corruption and favoritism. It gives all suppliers the opportunity to win the business in transparent way. It provides a wider choice in selecting the best bid

among the competing suppliers and contractors. International procurement is executed by international contracts. Especially in donor funded projects, international financing arrangements, bilateral or multilateral agreements; international contracts are essential for the quality, international standards, transparency and fair dispute resolutions. International financial institutions like World Bank Groups, Asian Development Bank, European Investment Bank etc have defined frameworks for policies, regulations, directives and procedures for procurements and





contract management. They have detailed instructions, conditions, and requirements that must be followed in the international competitive bidding process for services involving their grant/financing.

Practice of appointing international contractors in private and public sector in Nepal

Nepal is developing country and trade has remained a key factor in determining its economic condition and direction. Constitutional democracy has bestowed few insights of progress in academic, tourism and industrial sectors. We are trying to come up with solutions of export-oriented industrialization and trade diversification to resolve such issues. For all kind of import, international procurement and contracting are obvious. Global contracting is evident for infrastructure sectors projects, hospitality sector developments and any other international quality level of works or services. Investors and Financing Partners definitely wish to have high quality output in reasonable price and transparent compliance. Therefore, numerous international contracts have been, are and will be placed by private, public and government sectors for variety of goods, works and services.

Legislative arrangement

Any organization importing or exporting goods/works or services has to comply with local laws applicable for that particular business operation. Contract Acts, Negotiable Instrument Acts, Arbitration Act, Tax laws, labor laws etc are the legal compliance for national/international contracts too. In addition to the national legal system, specific clause of contract agreements to be complied completely. Agreement terms conditions like international arbitration courts { eg. The United Nations Commission on International Trade Law (UNCITRAL) or Singapore International Arbitration Centre (SIAC) } and special provisions of donor funding requirements for financing, procurement, valued ecosystem are to be confirmed. Various donor and financing institutions have their defined guidelines framework of procurement and contract managements too.

Challenges in international contracts

Global Contracting means we have to integrate more with global partners in different countries. It brings a greater set

of complexities to project activities. Apart from tactical issues, culture and cross-border relationships are equally important. It is important to recognize that international contracts may provide significantly increased risks. Careful consideration of these issues both before and during negotiation is required to ensure that the risks are minimized. Various challenges can be well explained as

- Clear Terms of art
- Geo-Political Consideration,
- Commercial Considerations,
- Language issues,
- Difference in Accounting Standards,
- Negotiating Practices,
- Different Ethical Codes,
- Contract Performance Parameters,
- Laws and Jurisdictions etc.
- Payment Procedure
- Personnel
- Tax Provisions in both the countries, Double Tax Avoidance Act if any

Organizations are committed to receive quality goods, services or constructions efficiently, it should be managing international contracts with firm compliance with contracting checklists. Contract Performance can be challenging if due diligence is not done at every step of bid document preparation, bid evaluations, financial negotiations, contract documentations and contract administrations.

Many other challenges are possible like limited transparency on claims, lack of contractor performance information, lack of documentation in advance for Environmental & Social Safeguarding, unclear responsibilities in contractor disputes, missing plans for contingency, undefined handover processes, gap of cost and scope mapping etc.

Let us discuss the contract procurement and contract management separately.

1. International tasks, goods or services procurement

Any organization willing to procure international services or goods shall establish guidance and procedures for procuring all Goods, Works, Non-Consultant and Consultant Services in accordance with country's and



regulatory bodies' Procurement Guidelines. Procurement Principles shall outline open, fair and competitive procedures used in a transparent manner to solicit, award and administer contracts to procure Goods, Works and Services. Solicitations for Goods, Works and Services shall be based upon a clear and accurate description of the Goods, Works and Services to be acquired. Contracts shall be awarded only to responsible suppliers, contractors and consultants that have the capability and willingness to perform the contracts in accordance with the terms and conditions of the applicable contracts and on a cost effective and timely basis. Only a commercially reasonable price (as determined, for example, by a comparison of price quotations and market prices) shall be paid to procure goods, works and non-consulting services.

The administrative responsibilities for the procurement process documentation lie with the procurement team but there is an inextricable link with, and inputs required from Operation Team, Project Heads, Finance and Legal personnel, as well as from consultants or contractors as may be linked in the respective areas.

The Procurement Plan is a key program planning and implementation document prepared by entity for purchases required. The primary function of the Procurement Plan is to serve as a managing tool by which entity oversees the procurement activities. Entity should have detailed plan and procedures for Purchase Requisition, Defined Purchase Methods, and Bid Documents Preparations, Bidding, Bid evaluation in terms of technical and financial components and Contract agreements.

Entity shall seek relevant information about potential contractors and consultants from a broad array of sources, including the Past Performance Reporting System, references given by contractors/consultants in their bids/proposals and other references from any other source available. This is a key part of the review and evaluation process.

Only a commercially reasonable price shall be paid to procure goods, works, and non-consulting services. A negative determination (unreasonably low or high price) will be a reason for rejection. For example, if the lowest

evaluated bid is determined to be unreasonably low, the bidder/consultant will be given chance to clarify the bid/proposal price and if the clarification is not acceptable, then the procurement team may recommend to proceed with the next lowest evaluated bid. This analysis applies to all procurements, including sole source selection and direct obtainment. In such cases, a detailed briefing note to the lowest evaluated bidder needs to be provided, for it to fully understand the reasons for its disqualification.

Procurement records include all documents relevant to the pre-solicitation, evaluation of bids/proposals, award and contract closeout phases. All actions of the procurement process must be recorded and all records duly filed. It is important to maintain records of all actions from the initial receipt of the procurement requisition to the closing out of the contract.

Also there shall be a Code of Conduct for Procurement Personnel, to set out values and clear guidance on expected behavior. Clear and known rules of behavior applicable to all, to foster mutual respect and increase public confidence in procurement personnel and the procurement process.

2. International Contract Managements

Contract Management is the formal undertaking that ensures that both the organization and the Contracted Party adhere to the contractual commitments to quality, cost and time. It requires proper planning, execution, supervision, monitoring and evaluation to enhance productivity while mitigating against risks to ensure a successful contractual outcome while maintaining value-for-money principles.

Contract Administration is related to administrative matters (e.g. contract amendments, contract termination, administration of contract securities/guarantees, monitoring milestone schedules, contract end-dates and options for extension; and record keeping), while Contract Management pertains to achieving the strategic technical goals of the organization through the implementation and monitoring of the contracts (e.g. developing and maintaining the contract details of key stakeholders involved in the contract; managing

professional relationship(s), managing risk(s), monitoring contract performance, managing deliverables, quality assurance and control, managing progress payments, and establishing and maintaining the contract documentation).

Tracking Contracts, Contract Modification or Termination, Following Deliverables, Closing a Contract and Archiving Contract Records are equally important for management.

Contract administration and management roles do not exactly run parallel; some administration and management activities could be intertwined and overlapping, while the official in charge of contract management cannot avoid undertaking contract administrative tasks in the performance of his/her management duties.

Once all contractual obligations of both parties are complete i.e. all deliverables received and accepted by organization; all Guarantees, if applicable, are in place; all payments have been authorized and disbursed, a contract closure form for the corresponding category of procurement shall be completed.

Conclusion

It is important to recognize that international contracts may provide significantly increased risks and ignorance can be highly dangerous. Careful consideration of these

issues both before and during negotiation is required to ensure that the risks are minimized. Detailed checklists of language, duties, geographical scope, performance guarantee, penal clauses, arbitration court, inco term, payment schedules, audit rights, intellectual property, and force majeure clauses are to be fulfilled and complied for each level of contract management. Procurement, Finance and Executive team shall place system and practice for requirement specifications, inking contracts, contract management, disputes resolutions and contract closures. Also for the exporting companies, due care to be done for export arrangements, payment terms, quality assurance, inco terms, and regulatory requirements of counter countries, dispute resolution mechanism and contract closures. Organization should have a policy to ensure that both parties of the contract (Organization and the Supplier/ Contractor/Service Provider) fully meet their respective obligations as efficiently and effectively as possible in order to meet the objectives required within the contract. The business model shall guide administrative tasks relating to timely amendments, observing deadlines and the preparation of follow-up status reports, are carried out, in congruence to contract management activities. All relevant contract implementation phases, stages and milestones and decisions are to be processed in a way that the contract implementations are properly documented.

Our Heartfelt Condolence



Late CA. Tirth Raj Upadhyay (1948 A.D. to 2022 A.D.)

We are deeply saddened to share the news of grief that CA. Tirth Raj Upadhyay, Second President of the Institute (1998/99) passed away on 13th May 2022. His demise is an irreparable loss to the state of professional accounting development of the country.

The Institute was closed on 20th May 2022 in condolence of his death and a condolence program was held on 11th July 2022 at ICAN premises whereby, a video documentary of Late CA. Tritha Raj Upadhyay sharing his experience on establishment of the Institute was also shared. The video can be viewed form the link below:

<https://www.youtube.com/watch?v=Smo3EIGfu9w>

Employee Stock Ownership Plans (ESOPs): Legality, Taxation and Accounting

As ESOPs are being welcomed by corporates across the globe, the companies are looking for guidelines on the taxation impact of ESOPs on both the issuing company and the subscribing employees. Nepalese lawmakers are yet to provide exhaustive guidelines on taxation specifically for ESOPs, however, Income Tax Act 2058[1] contains the provisions that are proximate to the transactions like ESOPs.



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ESOPs: Legality, Taxation, and Accounting

"Your employees are your company's real competitive advantage. They're the ones making the magic happen-so long as their needs are being met."

- Richard Branson, founder of the Virgin group.

Introduction

Employee Stock Ownership Plan, abbreviated as ESOP, is an employee benefit plan that gives workers ownership interest in the company; this interest takes the form of shares of stock. Employers often use ESOPs as a corporate finance strategy to align the interests of their employees with those of their shareholders¹. Where such interests have been aligned, it has proven to be an effective tool

of motivation to employees along with the increment of productivity, commitment, and satisfaction towards the job. To give an instance, the issue of shares to employees after 3 years if the profit of the company grows by 80% over the three years motivates employees to work at full potential so that the shares could vest; moreover, the issue of shares fosters the sense of company's ownership in the minds of employees.

Although ESOPs are widely welcomed in the global context, the issue of ESOPs has not been much popular in the context of the Nepalese

corporate world. ESOPs are voluntary programs and are not mandated by law in Nepal. The law restricts the maximum number of shares that can be allotted to employees during the public issue of shares. For instance, a maximum of 0.5% of the total issue in the case of Banks and Financial Institutions² and a maximum of 5% in the case of Insurance Companies³. Despite being a voluntary scheme, the issue of ESOPs in a few private companies has been able to be the talk of the corporate grapevine, while the allotment of a certain percentage of shares to employees of the issuing



¹ investopedia.com



company is successful to appear regularly at the news headlines during the public issue of shares.

Legality in Nepal

The lawmakers of Nepal have not yet provided detailed exhaustive legal provisions regarding ESOPs. However, Section 31 of Companies Directives, 2072⁴ provides the following regarding shares issued against service contract, which does not explicitly relate to ESOPs, however, closely relates to the shares provided to employees for their service:

- (1) Any company can issue shares as a consideration of the service to any service provider against the service received by the company. Example: A company can issue shares equal to the amount determined in the contract between an architect and the company for his service of preparing building construction design.
- (2) If shares are to be provided as consideration for any service including consultancy service, it shall be mentioned in the written contract and such contract shall clearly mention the amount of consideration for the service and the number of shares to be issued.
- (3) The amount to the extent the shares issued as per sub-section (2) are deemed to be paid up, shall be mentioned in detail in the service contract.

Section 32 of the directives requires a public company to submit an evaluation report for the shares issued in consideration other than cash, within 1 month of issuing such shares.

Section 31(2) of Companies Act, 2063 (First Amendment 2074)⁵ has the following provisions for shares allotted in consideration other than cash:

If any shares have been allotted as fully or partly paid-up otherwise than in cash, the company shall file with the Office of Company Registrar:

- A deed constituting the title of the allotter to the shares together with
- Any contract of sale or a contract for services or other consideration in respect of which that allotment was made, and

- A return stating the number and nominal amount of shares so allotted and the extent to which they are to be treated as paid up.

Concessions for ESOPs

1. No first right to existing shareholders⁶: The existing shareholders shall have the first right to subscribe to the shares issued in proportion to their respective shareholding. However, no shareholder of a company existing, for the time being, shall have the first right over the shares issued for any consideration other than cash, or shares issued under an employee share scheme⁷.
2. No prohibition to provide loans for ESOPs⁸: No company shall provide any loan or financial assistance of any kind to any person for purchasing its own shares or the shares of its holding company⁹ or its subsidiary company or getting entitlement to such shares in any manner. However, nothing shall prevent a company from providing loans to any employees of the company to purchase the fully paid-up shares of that company or its holding company or acquire ownership over such shares in any manner, under a scheme of selling shares to its employees.
3. Issue of shares at discount¹⁰: A company shall not issue or sell its shares at a discount. However, a company may issue or sell its shares at a discount per an employee share scheme by adopting a special resolution¹¹ at the general meeting to that effect, not being less than the percentage specified in that resolution¹².

⁶ Section 56(9) of Companies Act, 2063

⁷ Sec. 56(9) has provided four more situations where 'first right' is not applicable.

⁸ Section 62 of Companies Act, 2063

⁹ Chapter 13 of the Companies Act has defined holding and the subsidiary relationship between companies.

¹⁰ Section 64 of Companies Act, 2063

¹¹ Section 74 defines Special Resolution as a resolution adopted by the shareholders representing 75% shares out of the shareholders present in the meeting, voting in favor of the resolution. Further, Section 83 states the cases where a special resolution is required.

¹² Further three conditions are provided in Section 64(2) where shares can be issued or sold at a discount.

⁴ ocr.gov.np (Companies Directives, 2072)

⁵ ocr.gov.np (Companies Act, 2063)



4. Not required to fulfill securities issue procedures¹³:

If a public company is required to increase its share capital and issue its shares publicly, it shall fulfill the procedures specified in the Companies Act and the prevailing law on securities¹⁴. However, in so issuing bonus shares and right shares that they may be subscribed by its existing shareholders and employees only or issuing shares issued at consideration other than cash or shares issued under the employee share scheme¹⁵, such company shall not be required to fulfill such procedures. Further, it shall not be required to issue a prospectus¹⁶ to issue the securities issued to own workers or employees¹⁷.

5. Not counted as shareholder for determining the maximum number of shareholders¹⁸: A private company cannot have more than 101 shareholders. However, any employee, who has purchased a share of a company under scheme of selling shares to employees, or any employee, who has already purchased a share under such scheme but is not in service of the company, for the time being, shall not be counted as a shareholder for determining such maximum number of shareholders in a private company.

A plain reading of the above provisions portrays that ESOPs are legal and can be issued for the service provided by the employees, with a condition that the number of shares to be issued and service to be provided by the employees shall be explicitly contained in the service contract between the company and its employees. The company shall also submit an evaluation report stating how the service of the employees has been evaluated to grant the shares. With the legal compliance, the prevailing laws have also provided few concessions and facilities when shares are issued under ESOPs.

¹³ Section 56(6) of Companies Act, 2063

¹⁴ Includes Securities Act, Regulations and Directives issued by the Securities Board of Nepal (SEBON).

¹⁵ Along with other situations mentioned in Sec. 56(9) of Companies Act, 2063.

¹⁶ Prospectus is a document published by the public company under Sec. 23 of the Companies Act inviting offers from the public for subscription or purchase of its shares or debentures.

¹⁷ Section 30(2) of Securities Act, 2063

¹⁸ Section 9(3) of Companies Act, 2063

Taxation in Nepal

As ESOPs are being welcomed by corporates across the globe, the companies are looking for guidelines on the taxation impact of ESOPs on both the issuing company and the subscribing employees. Nepalese lawmakers are yet to provide exhaustive guidelines on taxation specifically for ESOPs, however, Income Tax Act 2058¹⁹ contains the provisions that are proximate to the transactions like ESOPs.

(Note: The taxation impact of ESOPs provided in this article is only an opinion of the author, who is a learner of taxation and not an expert in this field. The provisions given are only the ways how the author thinks ESOPs can be dealt with.)

Income Tax Act, 2058 classifies the taxable income of taxpayers on four income heads²⁰:

1. Business,
2. Employment,
3. Investment, and
4. Windfall gain

Since ESOPs are related to the employment contract between the employer and the employees, any income relating to them will fall under the head 'Employment' (for the employee) while the expense of ESOP will fall under the head 'Business' (for the employer). Employment income has been dealt by Section 8 of the Act, which states the remuneration received by a natural person²¹ from employment in an income year²² shall be included in determining the taxable income of such person. Section 8(2) enlists explicit items that are included as income under head employment, which contains salary, wage, gift, allowances, retirement payments, payment made on termination of employment, the contribution made by the employer on retirement funds, and so on. Section 8(2) (Ja) of the Sub-section states other amounts that shall be

¹⁹ ird.gov.np (Income Tax Act 2058, including amendments by Finance Act 2078)

²⁰ Section 5 of Income Tax Act 2058

²¹ Includes 'single natural person', 'couple elected under Sec. 50' and 'registered/unregistered proprietorship firm owned by a natural person'.

²² Income year is defined by Section 2(Jha) as, generally, the period between 1st of Shrawan of a year (Bikram Sambat Calendar) to Ashadh end of the next year.

included under Chapters 6 and 7 of the Act.

The explicit list of Section 8 does not contain ESOPs, explicitly. However, Chapter 7 provides for quantification, allocation, and characterization of certain items that are to be included in taxable income. Pursuant to Section 27(1) under Chapter 7, any payment made by a person to another person through the transfer of an asset shall be quantified at the market value of such transferred asset. This is the most proximate provision to the transactions like ESOPs, where 'shares' or 'options to purchase the shares' are transferred to the employees, as a consideration for the service provided by them. The taxation impact can be understood with the help of the following examples:

Example 1: Transfer of shares

On 1st Shrawan 2074 (grant date²³), ABC Ltd. granted a scheme to transfer 100 shares (the prevailing market price of the share at the grant date was Rs. 250 per share), free of cost, to each of its 300 employees, who complete five years of service in the company. On 1st Shrawan 2079, Mr. A, an accountant in the company, completed five years of service and obtained 100 shares. The market price of the shares reached Rs. 750 per share when the shares were transferred to Mr. A.

Here, the transfer of shares, though free of cost, shall be quantified as per Section 27(1) at the market value of the shares transferred. The quantified amount will be Rs. 75,000 (i.e., Rs. 750 per share x 100 shares) and shall be included in the taxable income of Mr. A under head 'employment' for Income Year 2079/80. The issuing company ABC Ltd. can claim Rs. 75,000 as an expense in determining taxable income from 'business' for the Income Year.

Whether the quantification is based on the market value at the date when the scheme was granted (1st Shrawan 2074) or at the date when the shares are transferred (1st Shrawan 2079) might be a question. The answer depends on the timing when the taxpayer's income shall be accounted for taxation purposes. Chapter 6 of the Act provides for the 'Tax Accounting and Timing'. Section 22(2) under Chapter 6 states that a natural person shall account for the income received from employment or investment on cash

basis²⁴ i.e., when the person receives or has the right to access the payment. Since the shares are transferred (i.e., payment is made) on 1st Shrawan, 2079, the quantification shall be done using the market value on that date.

Unlike the employment income of a natural person, Section 22(3) requires a company²⁵ to account on accrual basis for taxation purposes. To understand when ABC Ltd. (a company) can claim the quantified expense of ESOP, we need to first understand when an expense can be accounted for under accrual basis, dealt as per Section 24. Pursuant to Sec. 24(2), the following expenses are deemed to be borne by a person under accrual basis while calculating the taxable income:

- (a) If the payment is made against any consideration received from any other person, the expense is deemed to be borne in the following situations:
 - (1) When the person has an obligation to make the payment,
 - (2) The value of the obligation can be estimated on a reasonable basis, **and**
 - (3) Consideration has been received from the other person.
- (b) Other than the situation stated in clause (a), in all other situations, the expense is deemed to be borne when the payment is made.

In Example 1, ABC Ltd. is said to bear the expense of ESOP under clause (a) of Sec. 24(2). Since the company has obligation to make payment on 1st Shrawan, 2079, the value can be determined on that date, and the consideration(service) is received from the employee by that date, ABC Ltd. can claim the expense on 1st Shrawan, 2079 pursuant to Section 13 of the Act²⁶.

Accounting

The accounting of a transaction or event is expected to be dealt by the applicable financial reporting framework, which varies between nations across the globe. Such

²³ When the share scheme is granted to employees

²⁴ Defined by Section 23 of Income Tax Act 2058

²⁵ Includes company registered under Companies Act 2063 and other entities defined as company by Section 2(Dda) of the Act.

²⁶ The entity can claim expense in determining the taxable income for the income year, when the expense is incurred (i) during the income year, (ii) by the entity and (iii) for earning income during the year.



framework includes the rules, conventions, practices, bases of accounting, and presentation and reporting of a transaction or event. International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB)²⁷ and Generally Accepted Accounting Standards (US GAAP), issued by the Financial Accounting Standards Board (FASB)²⁸ are the biggest examples of the financial reporting framework.

Nepal's financial reporting framework is in convergence to the International Financial Reporting Standards (IFRS). Accounting Standards Board (ASB Nepal), formed by the Government of Nepal²⁹, is primarily responsible for setting accounting and financial reporting standards for business enterprises in convergence with the IFRSs³⁰. In this process, ASB drafted Nepal Financial Reporting Standards (NFRS) 2013 in line with IFRSs, which is regarded as a historic step in the development of accounting practices promoting accountability, uniformity and comparability of financial transactions and events. As on July 19, 2022, following are the applicable financial reporting standards issued by the Institute of Chartered Accountants of Nepal (ICAN) on recommendation of ASB Nepal:

Applicable Financial Reporting Standards in Nepal with their applicability date³¹

Standards	Applicability Date
NFRS 2018	1 st Shrawan 2077
NAS 29, NFRS 9, NFRS 14, NFRS 15, NFRS 16, NFRS 17	1 st Shrawan 2078
NFRS for SMEs ¹ , NFRS for MEs ² , NAS for NPOs ³	1 st Shrawan 2080
IFRIC and SIC ⁴	1 st Shrawan 2077

Accounting of ESOPs under NFRS

(Note: The study of NFRS develops an expert-level understanding and requires in-depth extensive study of the NFRS content, basis for conclusions, illustrative examples of implementation guidance, application

²⁷ ifrs.org (IFRS Foundation)

²⁸ fasb.org (FASB)

²⁹ Under Section 15Ka of Nepal Chartered Accountants Act, 2053

³⁰ <http://www.standards.org.np/asb/> (ASB Nepal)

³¹ As per notice of ICAN dated 1st Bhadra 2077 and 10th Shrawan 2078

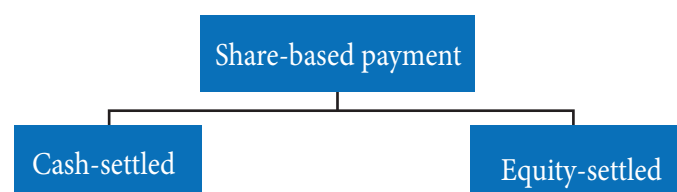
guidance and solution to practical problems. The content provided in this article is only for general understanding of readers with accounting kinship.)

ESOPs are accounted as per NFRS 2 *Share Based Payments*, which defines share-based payment arrangement³² as an agreement between the entity (or another group³³ entity or any shareholder of any group entity) and another party (including an employee) that entitles the other party to receive:

- (a) Cash or other assets of the entity for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity, or
- (b) Equity instruments (including shares or share options) of the entity or another group entity,

provided the specified vesting conditions, if any, are met.

The above definition of the share-based payment arrangement can be illustrated in a chart as follows:



Since the shares or options issued under ESOPs entitles the employees, equity instruments of the issuing entity, they fall under share-based payment arrangement defined by NFRS 2.

Conditions in a Share-based Payment Arrangement

The conditions that determine whether the entity receives the services that entitle the counterparty to receive cash, other assets, or equity instruments of the entity, under a share-based payment arrangement are termed as Vesting Conditions. They are either:

- (1) service conditions, which require the counterparty to complete a specified period of service.

³² Defined by Appendix A of NFRS 2

³³ Appendix A of NFRS 10 defines group as a parent (an entity that controls one or more entities) and its subsidiaries.

(2) performance conditions³⁴, which require the counterparty to complete a specified period of service and specified performance targets to be met (such as a specified increase in the entity's profit over a specified period of time). A performance condition might include a market condition.

The period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied is defined as Vesting Period.

Accounting Basis

Equity is the residual interest in the assets after deducting all its liabilities³⁵. Being a residual interest, it is measured based on the value of the corresponding assets/services received.

$$\text{Equity} = \text{Assets} - \text{Liabilities}$$

Paragraph 10 of NFRS 2, thus, states: for equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

For transactions with employees, valuation of service provided by the employees would be a big obstacle and hence corresponding equity could not be measured. That's why, paragraph 10 read along with paragraph 11 provided a way out to avoid such obstacle, which states:

To apply the requirements of paragraph 10 to transactions with employees and others providing similar services, the entity shall measure the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received, as explained in paragraph 12. The fair value of those equity instruments shall be measured at grant date.

³⁴ A performance condition has an explicit or implicit service requirement.

³⁵ Paragraph 4.63 of NFRS Conceptual Framework

The accounting of equity-settled share-based payment transaction with employees (ESOPs) can be understood with the help of the following examples:

Example : SBP with a service condition to more than 1 employee

Case: On 1stShrawan 2078, XYZ Ltd., aiming to retain its employees, announced to grant 100 shares of the company to each of its 200 employees who complete 3 years of service in the company. The fair value of the shares at that date was Rs. 250 per share.

Vesting Condition: Service Condition

Vesting Period: 3 years

Grant Date: 1stShrawan 2078

Date	No. of employees	Employees expected to be eligible for the shares
At grant date	200	190
31 st Ashadh 2079	195	185
31 st Ashadh 2080	193	188
31 st Ashadh 2081	189	

Accounting: How many employees will remain in service for 3 years i.e., who will be eligible for the shares? is an important question in this context since the no. of employees determine the no. of equity instruments that will vest and hence it will ultimately determine the expense to be booked over the 3-year period. Whether the no. of employees at the year-end shall be considered or the no. of employees estimated to remain in service for 3 years? Paragraph 19 read along with paragraph 20 has clarified this matter. Paragraph 20 states:

The entity shall recognize an amount for the goods or services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates.

Hence, the accounting shall be based on estimated no. of employees whom the shares are expected to vest.



	Calculations	Cumulative equity	Expense for the year
Y-1	100 shares x 185 employees x Rs.250 x 1/3	15,41,667 (a)	15,41,667
Y-2	100 shares x 188 employees x Rs.250 x 2/3	31,33,333 (b)	15,91,666 (b-a)
Y-3	100 shares x 189 employees x Rs.250 x 3/3	47,25,000 (c)	15,91,667 (c-b)

Journal entry:

Date	Particulars	Debit	Credit
2079-03-31	Employee Benefit Expense-----Dr To SBP Equity (Recognition of Share-based payment expense)	15,41,667	15,41,667
2080-03-31	Employee Benefit Expense-----Dr To SBP Equity (Recognition of Share-based payment expense)	15,91,666	15,91,666
2081-03-31	Employee Benefit Expense-----Dr To SBP Equity (Recognition of Share-based payment expense)	15,91,667	15,91,667
2081-03-31	SBP Equity-----Dr To Equity Share Capital (18900 shares x Rs. 100 – face value) To Securities Premium (Vesting of equity and Transfer of SBP equity to appropriate account heads)	47,25,000	18,90,000 28,35,000

Deferred Taxation Implications of ESOPs

The transfer of ESOPs is tax-deductible for the issuing company, quantified at the market value of the shares transferred. [Note: Readers are advised to go through the author's article on "ESOPs: Taxation" to understand the taxation impact of ESOPs in Nepal]

It is highly unlikely that the amount of tax deducted will equal the amount charged to profit or loss under NFRS 2, moreover, NFRS 2 spreads the total SBP expense over the vesting period while for tax purpose, the total expense is claimed in a single income year. Because of such timing difference in accounting and taxation, deferred tax is likely to arise. The analysis of deferred taxation shall be based on provisions of NAS 12 *Income Taxes*.

³⁶**Temporary differences** are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Temporary differences may be either:

- (a) **taxable temporary differences**, which are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled; or
- (b) **deductible temporary differences**, which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

$$\text{Temporary Difference} = \text{Carrying Amount} - \text{Tax Base}$$

³⁶ Paragraph 5 of NAS 12

Deferred tax asset arises out of deductible temporary difference while Deferred tax liability arises out of taxable temporary difference.

Paragraph 68A, 68B and 68C of NAS 12 has included a separate section for “Current and Deferred Tax arising from Share-based Payment Transactions”. Paragraph 68B states the following:

The difference between the tax base of the employee services received to date (being the amount the taxation authorities will permit as a deduction in future periods), and the *carrying amount of nil*, is a deductible temporary difference that results in a deferred tax asset. If the amount the taxation authorities will permit as a deduction in future periods is not known at the end of the period, it shall be *estimated, based on information available at the end of the period*³⁷. For example, if the amount that the taxation authorities will permit as a deduction in future periods is dependent upon the entity’s share price at a future date, the measurement of the deductible temporary difference should be *based on the entity’s share price*³⁸ at the end of the period.

Further, paragraph 68C states: The amount of the tax deduction (or estimated future tax deduction, measured in accordance with paragraph 68B) may differ from the related cumulative remuneration expense.

Paragraph 58 of the Standard requires that current and deferred tax should be recognized as income or an expense and included in *profit or loss* for the period, except to the extent that the tax arises from (a) a transaction or event that is recognized, in the same or a different period, outside profit or loss, or (b) a business combination.

If the amount of the tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, this indicates that the tax deduction relates not only to remuneration expense but also to an equity item.

In this situation, the excess of the associated current or deferred tax should be recognized *directly in equity*.

The following example³⁹ illustrates the deferred tax implications on share-based payment transactions:

Case: The entity’s tax rate is 40 per cent. The options were granted at the start of year 1, vested at the end of year 3 and were exercised at the end of year 5. Details of the expense recognized for employee services received and consumed in each accounting period, the number of options outstanding at each year-end⁴⁰, and the intrinsic value of the options at each year-end, are as follows:

	Employees Service Expense	No. of options at year-end	Intrinsic Value per option
Year 1	1,88,000	50,000	5
Year 2	1,85,000	45,000	8
Year 3	1,90,000	40,000	13
Year 4	0	40,000	17
Year 5	0	40,000	20

Year 1

Deferred tax asset and deferred tax income:

$$(50,000 \times 5 \times 1/3^* \times 0.40) = 33,333$$

³⁷ For intrinsic value/market value of options/shares. For no. of options/shares, the expected number shall be considered to have consistency with NFRS 2 Paragraph 20

³⁸ In case of share options: Intrinsic Value at the end of the period.

³⁹ Example 5 of Illustrative Examples for IAS 12, published by IFRS Foundation – www.ifrs.org

⁴⁰ Although the example has considered the no. of options outstanding at each year-end, the author believes that the expected number of options to vest should have been considered for consistency with NFRS 2 paragraph 20.



*The tax base of the employee services received is based on the intrinsic value of the options, and those options were granted for three years' services. Because only one year's services have been received to date, it is necessary to multiply the option's intrinsic value by one-third to arrive at the tax base of the employee services received in year 1.

The deferred tax income is all recognized in *profit or loss* because the estimated future tax deduction of 83,333 ($50,000 \times 5 \times 1/3$) is less than the cumulative remuneration expense of 188,000.

Year 2

Deferred tax asset at year-end: $(45,000 \times 8 \times 2/3 \times 0.40)$	96,000	
Less: Deferred Tax asset at the start of the year	(33,333)	
Deferred Tax Income for the year		62,667*

* This amount consists of the following:

Deferred tax income for the temporary difference between the tax base of the employee services received during the year and their <i>carrying amount of nil</i> : $(45,000 \times 8 \times 1/3 \times 0.40)$	96,000	
Tax income resulting from an adjustment to the tax base of employee services received in previous years:		
(a) increase in intrinsic value: $(45,000 \times 3 \times 1/3 \times 0.40)$	18,000	
(b) decrease in number of options: $(5,000 \times 5 \times 1/3 \times 0.40)$	(3,333)	
Deferred Tax Income for the year		62,667

The deferred tax income is all recognized in *profit or loss* because the estimated future tax deduction of 240,000 ($45,000 \times 8 \times 2/3$) is less than the cumulative remuneration expense of 373,000 ($188,000 + 185,000$).

Year 3

Deferred tax asset at year-end: $(40,000 \times 13 \times 0.40)$	208,000	
Less: Deferred Tax asset at the start of the year	(96,000)	
Deferred Tax Income for the year		112,000

The deferred tax income is all recognized in *profit or loss* because the estimated future tax deduction of 520,000 ($40,000 \times 13$) is less than the cumulative remuneration expense of 563,000 ($188,000 + 185,000 + 190,000$).

Year 4

Deferred tax asset at year-end: $(40,000 \times 17 \times 0.40)$	272,000	
Less: Deferred Tax asset at the start of the year	(208,000)	
Deferred Tax Income for the year		64,000

The deferred tax income is recognized partly in profit or loss and partly directly in equity as follows:

Estimated future tax deduction $(40,000 \times 17)$	680,000	
Cumulative Remuneration Expense	(563,000)	
Excess Tax Deduction		117,000
Deferred Tax Income for the year	64,000	
Excess recognized directly in equity $(117,000 \times 0.40)$	46,800	
Recognized in profit or loss		17,200

Year 5

Deferred tax expense (reversal of deferred tax asset)	272,000	
Amount recognized directly in equity (reversal of cumulative deferred tax income recognized directly in equity)	46,800	
Amount recognized in profit or loss		225,200
Current tax income based on intrinsic value of options at exercise date ($40,000 \times 20 \times 0.40$)	320,000	
Amount recognized in profit or loss ($563,000 \times 0.40$)	225,200	
Amount recognized directly in equity		94,800

Summary

Statement of Comprehensive Income					Statement of Financial Position	
	Employee Service expense	Current Tax Expense (Income)	Deferred Tax Expense (Income)	Total Tax xpense (Income)	Equity	Deferred Tax Asset
Year 1	188,000	0	(33,333)	(33,333)	0	33,333
Year 2	185,000	0	(62,667)	(62,667)	0	96,000
Year 3	190,000	0	(112,000)	(112,000)	0	208,000
Year 4	0	0	(17,200)	(17,200)	(46,800)	272,000
Year 5	0	(225,200)	225,200	0	46,800	0
					(94,800)	
Total	563,000	(225,200)	0	(225,200)	(94,800)	0

Reference:

Quote by Richard Branson (<https://www.azquotes.com/quote/1250240>)

Employee Stock Ownership Plan (ESOP) (<https://www.investopedia.com/terms/e/esop.asp>)

Companies Act 2063 (<https://www.ocr.gov.np/images/pdf/ain.pdf>)

Companies Directives 2072 (<https://www.ocr.gov.np/images/pdf/samsodhan.pdf>)

Bank and Financial Institutions Act 2073 (https://www.nrb.org.np/contents/uploads/2019/12/Bank_And_Financial_Institution_Act_2017_-_English_Version_20190311-1.pdf)

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To access the comprehensive article, please click the link below:

https://en.ican.org.np/_browsable/file/general/ESOPs-Legality_Taxation_and_Accounting.pdf

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Judicial Update

The interest under Section 118 of the Income Tax Act, 2058 shall be imposed only for the short payment of estimated tax amount pursuant to Section 94 of the Act.

Under Section 16A of the Value Added Tax Act, the record of taxpayer generated from the database recorded in computer of IRD or IRO there under shall be acceptable as evidence for purposes of tax.

There is no legal restriction for investing in share of another entity by a commercial enterprise out of borrowed loan. So, the decision of LTO to addback in the net income the interest expense of the loan borrowed and used in share investment is not in consonance with section 14(1) of the Income Tax Act, 2058.

Case-I: Income Tax Act, 2058

Supreme Court Decision Date: 2078.08.20

Parties: Large Taxpayer Office, Lalitpur Vs. Yak & Yeti Hotel Ltd, Kathmandu

Supreme Court Case No.: 070-RB-0019

Link: https://supremecourt.gov.np/cp/assets/downloads/supreme_123570.pdf

Interest Expenses of Loan Invested in Shares [Section 14(1)]:

Fact:

The assessee M/s Yak & Yeti Hotel Ltd had invested NPR 3,00,00,000.00 in the right share of Taragaon Regency Hotel Ltd out of the loan amount borrowed from a bank at the interest rate of 9.25% p.a. Then, it had claimed its interest amount of NPR 27,75,000.00 for deduction as expense



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under section 14(1) of the Income Tax Act, 2058 in its Income Tax Return of F/Y 2061/62.

Later on, the Large Taxpayer Office (LTO) issued a tax assessment notice against the assessee under section 101(6) of the Act causing to addback the interest amount of the loan to its net income of F/Y 2061/62 on 2064.09.24. The verdict of the LTO for ordering to add it back was such a borrowing of loan while the assessee is at loss and investing it in an organization bearing a loss is against the business principle. Instead, it is a part of the tax avoidance scheme under section 35 of the Act.

Dispute:

The assessee, being dissatisfied with such tax assessment order made by the LTO, had applied to the Inland Revenue Department (IRD) for Administrative Review under Section 115 of the Income Tax Act, 2058. However, the IRD endorsed the tax assessment order of the LTO on the ground such tax assessment is in consonance with the law and rejected the application of the assessee on 2065.08.23.

Then the assessee, being dissatisfied with decision of the Administrative Review, appealed to the Revenue Tribunal, Kathmandu against such



decision under section 116 of the Act on 2065/11/28. The Revenue Tribunal quashed the tax assessment order of LTO along with the decision of the Administrative Review to endorse such order of LTO and upheld the claim of the assessee on 2067.02.03. So, the LTO, being dissatisfied with such decision of the Revenue Tribunal, appealed to the Supreme Court against its decision.

Supreme Court Judgement:

The Supreme Court quashed the tax assessment order & claim of LTO along with the decision of Administrative Review made to endorse such order and upheld the decision of Revenue Tribunal stating that there is no legal restriction for investing in share of another entity by a commercial enterprise out of borrowed loan. Even the contemporary Industrial Enterprises Act, 2049 and prevailing Industrial Enterprises Act, 2076 aim to promote the industrial environment by facilitating industries to make investment in similar or other industries. Accordingly, the investment of the assessee at right share of Taragaon Regency Hotel Ltd cannot be deemed inappropriate. So, the decision of LTO to add back in the net income the interest expense of the loan borrowed and used in share investment is not in consonance with section 14(1) of the Income Tax Act, 2058.

The date when the final tax assessment notice gets issued shall be considered as the time limit for computing the tax assessment period of 4 year under section 20(4) of the Value Added Tax Act 2052.

Case-II: Value Added Tax Act, 2052

Supreme Court Decision Date: 2077.12.25

Parties: Large Taxpayer Office, Lalitpur Vs. Gorkha Brewery Pvt Ltd, Kathmandu

Supreme Court Case No.: 068-CR-1262

Link: https://supremecourt.gov.np/cp/assets/downloads/supreme_109311.pdf

Computation of 4 Year Time Limit for Tax Assessment [Section 20(4)]:

Fact:

The assessee Gorkha Brewery Pvt Ltd had filed its last month's tax return of F/Y 2058/59 on 2059/04/24.

Later on, the Large Taxpayer Office (LTO) issued a preliminary tax assessment notice related to F/Y 2058/59 against the assessee by allowing a time limit of 15 days for submitting its clarification upon the assessed Value Added Tax (VAT) amount NPR 329,884 under Section 20 of the Value Added Tax Act, 2059 & Rule 29 of the Value Added Tax Rules, 2059 on 2063/04/03. Then,

the assessee submitted its clarification on 2063/04/14 objecting the tax assessment order with clarification that as per section 20(4) of the Act, the tax assessment has to be done within 4 years from the date of tax returns filed or to be filed, whichever is earlier (*Note: this provision has been amended by Finance Act, 2075. Prevailing provision is- "tax assessment shall have to be made within four years from the date of filing of the tax return"*). If the tax assessment cannot be made within that period, the tax returns so filed shall *ipso facto* be considered to be valid. Further it claimed that as the tax assessment has been done after the expiry of such time limit, it does not require paying the VAT amount as mentioned in the preliminary tax assessment order of LTO.

Then, after receiving the clarification, the LTO decided to make a final tax assessment on 2063/04/16 and issued a final tax assessment order notice to the assessee on 2063/04/28. However, such decision date regarding the final tax assessment had not been mentioned in the notice.

Dispute:

The assessee, being dissatisfied with such tax assessment order made by the LTO, had applied to the Inland Revenue Department (IRD) for Administrative Review under Section 31A of the Value Added Tax Act, 2052. However, as the Director General of the IRD did not give decision within 60 days of receiving such application, the assessee filed an appeal to the Revenue Tribunal, Kathmandu under section 32 of the Act on 2063/09/28. Then, the Revenue Tribunal quashed the tax assessment order of LTO and upheld the claim of the assessee on 2066.10.20. So, the LTO, being dissatisfied with the decision of the Revenue Tribunal, appealed to the Supreme Court against such decision claiming the tax assessment has been done within the 4 year time limit prescribed under section 20(4) of the Act as the preliminary tax assessment notice was issued on 2063/04/03 and final tax assessment decision was made on 2063/04/16.

Supreme Court Judgement:

The Supreme Court quashed the tax assessment order & claim of LTO and upheld the decision of Revenue Tribunal stating that the date when the final tax assessment notice gets issued shall be considered as the time limit for computing the tax assessment period of 4 year under section 20(4) of the Value Added Tax Act, 2052. In the appealed case, the assessee had filed its Ashadh month's tax return of F/Y 2058/59 on 2063/04/24 and the LTO had issued a final tax assessment notice on 2063/04/28 which is not within the time limit of 4 years under section 20(4) of the Act.

Key Note Speech on 4th CA Convocation



Dr. Ram Krishna Timalina

Dr. Timalina is Chairperson, National Inclusion Commission; Former Registrar, Supreme Court of Nepal; Founder Principal and Executive Director at National Law College.

मलाई Key Note Speaker को रूपमा आमन्त्रण गरी आफ्नो केही सोच, विचार र भनाइ तपाईंहरूसँग राख्न पाउदा खुसी लागेको छ। देशको आर्थिक सबलताले नै राजनीतिक र सामाजिक सबलताको निर्धारण गर्ने एक्काइसौ सताब्दीको शाश्वत मान्यता भएको बेला लेखा व्यवसायलाई नजिकबाट नियाल्ने बुझ्ने र अभ्यास गर्ने वर्गसँग राज्यले ठूलो अपेक्षा राखेको कुरा यहाँहरु समक्ष राख्न चाहान्छु।

आज नेपाल चार्टर्ड एकाउन्टेन्ट संस्थाबाट दिक्षत हुनुहुने सबैलाई मेरो तर्फबाट हार्दिक बधाइ तथा शुभकामना दिन चाहान्छु। अब तपाईंहरु अध्ययन क्षेत्रबाट कार्यक्षेत्रमा जादै हुनुहुन्छ। तपाईंको कर्म क्षेत्र देशको अर्थतन्त्रसँग जोडिएको छ। अर्थतन्त्रको स्वास्थ्य कायम गर्ने स्वास्थ्यकर्मीको रूपमा लेखा व्यवसायलाई हेरिन्छ। अर्थतन्त्रको कारोबारको लेखालाई ठिक भए ठिक र गलत भए गलत भन्ने र त्यसको प्रमाणित गर्ने अधिकार राज्य व्यवस्थाले विस्वास गरेर कानूनबाट नै प्रदान गरिएको छ। त्यसैले राष्ट्रिय अर्थतन्त्रको स्वच्छता र समृद्धिमा तपाईंहरुको प्रमुख भुमिका रहन्छ।

लेखा व्यवसाय सिद्धान्ततः नैतिकता र सदाचारयुक्त, उद्देश्यपूर्ण, व्यवसायीक क्षमतायुक्त, विश्वसनीय र पेशागत व्यवहार युक्त हुन्छ। यी व्यवसायिक जीवनका मुल्यहरु नेपाल चार्टर्ड एकाउन्टेन्ट संस्थाको पनि मुल्य भएकोले नेपालको हकमा यी पक्षहरुलाई बोध गराउने, अभ्यास गराउने र पालना भए/नभएको नियमन गर्ने र गलत अभ्यासलाई दण्डित गर्ने सम्मका जिम्मेवारी नेपाल चार्टर्ड एकाउन्टेन्ट संस्थाले बहन गरेको छ।

लेखाव्यवसाय सार्वजनिक तथा निजीक्षेत्रमा आर्थिक अनुशासन कायम गराउने, सार्वजनिक सम्पत्तीको कुशल उपयोग भए नभएको परिक्षण गर्ने र आम नागरिकको राज्य र व्यवसाय प्रतिको विश्वसनीयता अभिवृत्ति गर्ने औजार हो। लेखापालन र लेखापरीक्षण व्यवसायले आजको बदलिँदो अर्थतन्त्रको स्वरूप र कृयाकलापलाई जीवन्त बनाएको छ। आजको डिजिटल र विश्वव्यापी अर्थतन्त्रसँगको आबद्धताले यो व्यवसाय अन्य व्यवसायमा बढ्दै गएको जोखिम न्यून गर्ने र व्यवसायको विकासको आधार बन्दै गएको छ।

सार्वजनिक जवाफदेहिता र पारदर्शीता प्रवर्द्धन गर्नु, सार्वजनिक स्रोत र साधनको परचालनमा मितव्ययिता र कार्यक्षमता अभिवृद्धि गर्नु, अनियमितताको नियन्त्रण गर्नु, गल्तीहरु पत्ता लगाउनु र विद्यमान व्यवस्था र परपाटीमा देखिएका कमिकमजोरी पहिल्याएर व्यवहारिक सुझावबाट सुधार गराउनु लेखा र लेखापरीक्षणको उद्देश्य हो। सरकारी लेखा परीक्षणका प्रतिवेदनले यी उद्देश्य प्राप्त गर्न लेखापालन मात्र होइन आर्थिक अनुशासन र नियन्त्रणको समग्र पक्षमा सुधारको खाँचो औल्याएको छ। आर्थिक लोकतन्त्रको आधारशीला नै उत्तदायी एवं भरपर्दो लेखाप्रणाली हो।

आर्थिक प्रशासनमा अनुशासनको अधिक महत्त्व हुन्छ। अर्थिक अनुसशासन पालन गराउने, अनियमितता पत्ता लगाउने, गल्ती र त्रुटि रोक्ने, सरकार तथा व्यवसायीक संगठनको वित्तीय छवि उच्च राख्दै स्वच्छ र जवाफदेहीपूर्ण बनाउने काम लेखापरीक्षणबाट हुन्छ। आर्थिक विचलन र अपराधका नयाँ नयाँ सोच र घटना उजागर हुँदै गइरहेका छन्। प्रविधिको दुरुपयोग बढिरहेको छ यस अवस्थाको सामना गर्न सक्ने जनशक्ति विकासको कार्य विश्वमा नै चुनौतिपूर्ण बन्दै गइरहेको छ।

जनशक्ति उत्पादन संगसंगै उनीहरुको क्रियाशीलता पनि आवश्यक हुन्छ। नेपाल चार्टर्ड एकाउन्टेन्ट संस्थामा दर्ता भएका मध्ये आधा पनि सदस्य व्यवसायमा क्रियाशील नहुनुको कारणको अनुसन्धान आवश्यक छ। वृहद अनुसन्धानले नेपालमा उपयोग हुन सक्ने

लेखा व्यवसायीको निर्धारण, विदेशमा नेपाली लेखाव्यवसायीको अवसर र उपयोग समेतलाई उपयुक्ताकार बनाउदै लैजान सकिन्छ ।

प्रभावकारी आर्थिक अनुशासनका पूर्वाधारहरु नैतिक र चरित्रवान राष्ट्रसेवक, कानूनको समय सापेक्ष परिवर्तन, स्वच्छ र सन्तुलित बजेट प्रणाली, कार्यमुलक लेखापरीक्षण र सरकार तथा सार्वजनिक प्रतिष्ठानको असल शासनको अभ्यास हुन् । यी पक्षमा सुधार गर्न नेपाल चार्टर्ड एकाउन्टेन्ट संस्थाले उल्लेख्य भूमिका निर्वाह गर्न सक्दछ ।

लेखापालन र लेखापरीक्षण सार्वजनिक तथा नीजीक्षेत्र सबैतिर आवश्यक हुन्छ । देशको भुगोल, व्यावसायिक प्रतिष्ठानको अवस्थिति, लागत र स्वामीत्वका विविधताको कारणले व्यवसायीक लेखापालन सबैको पहुँचमा छैन । वित्तीयसंस्थाहरुमा देखिएका विचलनले न्युन आयभएका, गरीब तथा विपन्नको पहुँच र लगानी सुरक्षाको सुनिश्चिततामा अझबढी ध्यान केन्द्रित गर्नु पर्नेछ । इमान्दार, नैतिकवान, उत्प्रेरित र उच्च व्यावसायीक सीपयुक्त लेखा व्यवसायी उत्पदान गर्ने र लेखापालन व्यवसायको नियमन गरी मुल्य, मान्यता र सिद्धान्तको परिपालन गराउने दोहरो जिम्मेवारी नेपाल चार्टर्ड एकाउन्टेन्ट संस्थामा रहेको छ । नेपाल चार्टर्ड एकाउन्टेन्ट संस्थाले नेपाली अर्थतन्त्रको दीगो विकास र न्यायसंगत समाज निर्माण गर्न ध्यान केन्द्रित गर्नु पर्दछ ।

त्यसैले नेपाल चार्टर्ड एकाउन्टेन्ट संस्थाको गतिशिलताको आवश्यकता छ । विश्व संजाल संगको आवद्धतालाई अझ कसिलो बनाउने, पाठ्यक्रम, प्रविधि र परीक्षा प्रणाली विश्वस्तरीय मानक र प्रतिस्पर्धात्मक बनाउदै पूर्वाधार, वातावरण र संरचना निर्माण गर्दै लैजानु पर्दछ ।

राज्यका हरेक कृयाकलाप अर्थसंग गएर जोडिन्छ साथै अर्थले ईमान र नैतिकतालाई हल्लाउदछ । कोषको सदुपयोग र दुरुपयोग, खर्च गर्ने र त्यसको परीक्षण गर्ने प्रणाली व्यक्तिमा निर्भर हुन जान्छ । त्यसैले सार्वजनिक कोषको संचालन र उपयोगप्रतिको जिम्मेवारी र जवाफदेहिता परिपालना गराउने जिम्मेवारी लेखापालन र लेखापरीक्षण व्यवसायीको हुन्छ ।

व्यक्तिगत हितभन्दा पारीवारीक हित, पारिवारिक हितभन्दा सामाजिक हित र सामाजिक हितभन्दा राष्ट्रिय हित सर्वोपरी हुन्छ । त्यसैले कुनै पनि कानून, व्यवसायिक मुल्यमान्यताको प्रयोग/अवलम्बनबाट नेपालको स्वतन्त्रता, सार्वभौमसत्ता, भौगोलिक अखण्डता, राष्ट्रियता, स्वधिनता, स्वभिमान, नेपालीको हकहितको रक्षा, आर्थिक समुन्नती र समृद्धिमा प्रतिकुल हुने काम गर्नु हुदैन । मानविय मर्यादा, मूल्य र मान्यताको अवमुल्यन हुने कार्य हुन दिन हुदैन ।

जिवन पर्यन्त चरित्रवान, इमान्दार, नैतिक मुल्य कायम राख्दै सकारात्मक दृष्टिकोणबाट व्यवसायिक तथा व्यक्तिगत जिवनमा सन्तुलन गर्दै जिवन निर्वाह गर्नको लागि शिक्षा/ज्ञान (education), अनुभव (experience) र माहौल/वातावरण (environment) को प्रभावबाट गुज्रनु पर्ने हुन्छ ।

ज्ञानलाई योजनाबद्ध तरिकाबाट उपयोग गर्नु पर्दछ । अज्ञानता, डर, हिंसात्मक परिवेश, बानी, स्वभाव र शारीरिक/मानसिक स्वास्थ्य अवस्थाले ज्ञानको उपयोगलाई सिमित परिदिन्छ । हेनरी फोर्डको एउटा भनाई छ "Any-one who stops learning is old, whether twenty or eighty. Anyone who keeps learning says young." नविनतम विकास भएका सिद्धान्त, मुल्य, मान्यता, प्रविधिको अभ्यास गर्दै मानव भलाई हुने, अधिक जनसंख्याको हित हुने, आर्थिक उपलब्धि हुने तर कसैको अहित नहुने गरी ज्ञानको प्रयोग गर्नु पर्दछ ।

Aristotle को भनाइमा "whatever we learn to do, we learn by actually doing it." अनुभव कार्यक्षेत्रमा काम गर्दामात्र प्राप्त हुन्छ ।

कानून, नीति, कार्यविधि, प्रकृया र मानदण्डको पालना अनिवार्य हुन्छ तर सबैकुरा यसबाट व्यवस्थित गर्न सकिदैन । त्यसैले हरेको व्यक्तिलाई सबै वातावरणमा सुरक्षित अवतरण गर्न नैतिकता चाहिन्छ र यो पनि अभ्यासबाट मात्र प्राप्त हुन्छ । उपभोक्तावादी संस्कृतिको बढोत्तरीले मानवीय आवश्यकता बढाएको छ । विश्वस्तरीय प्रतिस्पर्धा, प्रविधिजन्य विकास र विस्तार, आय असमानता र सामाजिक विसंगतीका कारणले नैतिक धरातलमा कायम रहन चुनौतिपूर्ण बनाउदैछ । त्यसैले व्यक्तिगत सोच र व्यवहारका प्रत्येक कृयाकलापमा नैतिकवान रहनु आवश्यक छ ।

वातावरण पारिवारिक आर्थिक सामाजिक अवस्था, समाजको बनोट, धर्म, परम्परा, देशको राजनीतिक सामाजिक संस्कृतिको अभ्यासको स्थितिबाट निर्माण हुन्छ। वातावरण अनुकूल वा प्रतिकूल जुनसुकै हुन सक्छ। एउटा कुरा सदैव याद गर्नु पर्छ कि कठिन वातावरण/समयमा कामगर्न समर्पण चाहिन्छ। इश्वर प्रतिको ध्यान, आस्था र विस्वासबाट समर्पण भावको निर्माण हुन्छ। स्वअनुसाशन र अभ्यासबाट विकास हुन्छ। हिन्दु र बौद्ध दर्शनको अध्ययनले यसलाई सहज बनाइ दिन्छ।

तपाइहरुको हातमा देशको अर्थतन्त्रको ऐना छ। यसबाट आर्थिक अनुहारको मात्र प्रतिविम्ब देखिदैन बरु हामी मुन्सीमात्र भएका छौं कि राष्ट्रिय विरासत पनि थामेका

छौं भन्ने मुल्यांकन गर्न सजिलो पर्नेछ। यो देशको आर्थिक भविष्यलाई कता डोहोर्याउने भन्ने कुरामा हामी सतर्क हुनु पर्दछ।

अन्तमा, महात्मा गान्धीले भनेका मर्मस्पर्शी भनाईलाई दोहोर्याउन चाहान्छु। परिश्रम विनाको कमाई, चरित्र विनाको ज्ञान, सिद्धान्त विनाको राजनीति, सदाचार विनाको व्यवसाय, समर्पण विनाको धर्म र मानवीयता विनाको विज्ञानको कुनै महत्व हुदैन भन्दै तपाईं हामी यो देशको उत्थानकर्मीले अनुशासन कायम गर्न सकेनौं भने सामाजिक एवं सांस्कृतिक मुल्य मान्यतामा पनि क्षयीकरण हुने कुरामा सतर्क रहदै राष्ट्रिय विकासको महान यज्ञमा समर्पित रहन हार्दिक आग्रह गर्दछु।

Congratulation to the Newly Elected President and Vice President



Newly Elected President
CA. Bhaskar Singh Lala

CA. Bhaskar Singh Lala is the President Elect of ICAN for the Year 2022/23. He was elected Vice-President for the Year 2021/22. He also served as an elected Council Member in the 4th Council (2006/07-2008/09); 6th Council (2012/13-2014/15) and the 7th Council (2015/16-2017/18) of the Institute. And he is serving as a Chairman and Member in different committees and Board of the Institute.

He obtained his Chartered Accountancy Degree from the Institute of Chartered Accountants of India in 1994 A.D and has been a Member of ICAN since its inception. He has also served as a board member in Security Exchange Board of Nepal (SEBON) in 2021/22 and as member of Accounting Standard Board from 2009 to 2012. He holds bachelor's Degree in Business Administration from Shankar Dev Campus, T.U. in 1989.



Newly Elected Vice President
CA. Sujan Kumar Kafle

CA. Sujan Kumar Kafle is the Vice-President Elect of ICAN for the Year 2022/23. He has served as elected Council Member in the 5th Council (2009/10-2011/12) of the Institute and Member in Auditing Standard Board for 2015 to 2018. And has been serving as a Chairman and Member in different Committee and Board of the Institute. He has also served as consultant at Large Taxpayers Office in year 2005/06.

He has obtained his Chartered Accountancy Degree from the Institute of Chartered Accountants of India in 2003 A.D and has been the Member of ICAN in 2004 A.D. He was also associated with the Institute as Deputy Director during 2006 A.D. He holds (Bachelor's Degree in Commerce from TU in year 1996. He has been in practice for more than one and half decades.

Regulation and Supervision

Interaction Program on “Code of Ethics Proposed Amendments in ICAN Code of Ethics 2018 in line with IESBA Code of Ethics 2021”

The Institute organized an interaction program on “Proposed Amendments in ICAN Code of Ethics 2018 in line with IESBA Code of Ethics 2021” on 27th June, 2022 at ICAN Premises located at Satdobato, Lalitpur Nepal. The program was chaired by Council Member and Member of Ethics Committee, CA. Sujan Kumar Kafle. Member of Ethics Committee, CA. Niradesh Shrestha gave presentation on review and proposed amendments on ICAN Code of Ethics in the program.

Interaction Program on “Member's Compliance of Code of Ethics”

The Biratnagar branch of the Institute has organized an interaction program on “Member’s Compliance of Code of Ethics” on 21st June, 2022 at Biratnagar. The objective of the program was to help Member comply with Code of Ethics for Professional Accountants. The program was Chaired by Council Member and Chairman of Monitoring and Financial Review Committee (MFR Committee), CA. Peeyush Anand whereby, Director of Nepal Rastra Bank (NRB), Biratnagar, CA. Meena Pandey was the Chief guest of the program. Likewise, Council Member RA Bhola Nath Pathak and RA. Posh Raj Nepal were also present in the program. Altogether, 54 Members of the Institute participated in this interaction program.



Group photo of participants at the Interaction Program on “Member’s Compliance of Code of Ethics” at Biratnagar

Interaction Program on “Guidelines on Verification of Working Capital Statement and Amendment on Firm Registration Procedures”

The Institute has organized an interaction Program on “Guidelines on Verification of Working Capital Statement and Amendment on Firm Registration Procedures” on 7th June 2022 at ICAN premises located at Satdobato, Lalitpur, Nepal. The objective of the program was to address the concerns of the members and to incorporate their constructive feedback on these guidelines and procedures. Total, 80 members participated in the program.

Interaction Program for Members in Industry

The Institute has organized an Interaction Program exclusively for Institute’s Members in Industry in order to discuss the issues being faced by the members of the Institute working in different industries and to determine the role of the Institute to address those issues. The Program was organized on 21st April 2022 at ICAN Conference Hall located at Satdobato, Lalitpur. The program was developed to address the concerns of the Members involved in various industries and explore opportunities related to growth and prosperity of Members in Industry and create a platform for Members in Industries to express their perception that are to be considered by the Institute.



Group photo of Participants at Interaction Program of Members in Industry along with Officials of the Institute

This program was organized in two sessions. In the first session, the new web platform related to Job Portal was launched by President, CA. Yuddha Raj Oli. In the second session, the panelist of the program comprising of representative of Regulatory Body, Banking Sector, State Owned Enterprises, Other Listed Companies

and Entrepreneurs - CA Vishrut Thapa, CA Ratna Raj Bajracharya, CA Jitendra Dhital, CA Vijaya Bahadur Shah and CA Sangita Kadariya respectively delivered their speeches and shared their experiences in respective sector. Likewise, there was a floor discussion whereby the queries of the participants were addressed by the Panelist. The program was moderated by Council Member and Chairperson of the Committee on Members in Industry, CA. Ram Chandra Khanal. Altogether, 114 Members participated in this Interaction Program.

Professional Development

Interaction Program on “National Budget 2079/80”

The Institute with the objective of bringing on the paper on rational of National Budget for the FY 2079/80 and its likely impact on various sectors of the economy has organized an interaction program on “National Budget 2079/80” on 02nd June, 2022, at the Everest Hotel, New Baneshwor, Kathmandu. The program was conducted in two sessions comprising of the Paper presentation and Panel discussion.

In the first session, Dr. Raghu Bir Bista, Associate Professor of Economics, Tribhuvan University, Nepal presented a on “New Budget 2079-80 Reality or Paradox” and a panel discussion was held on “Nepal Budget 2079/80” in the Chairmanship of ICAN President CA. Yuddha Raj Oli. Following were the panelist:

Name	Designation	Representative From
CA. Yuddha Raj Oli	President	The Institute of Chartered Accountants of Nepal
Dr. Surendra Kumar Upreti	Chief Economic Advisor	Ministry of Finance
Mr. Sandeep Agrawal	Executive Committee, Binational Group	Federation of Nepalese Chamber of Commerce & Industries
Dr. Bishwas Gauchan	Executive Director and Director Center for Economic Policy	Institute for Integrated Development Studies
Dr. Raghu Bir Bista	Associate Professor of Economics	

Likewise, CA. Arun Raut also gave a paper presentation on “Amendments in Tax Laws by Nepal Budget 2079/80”. ICAN President, CA. Yuddha Raj Oli expressed the

Institutional view on Budget and the program was concluded with the vote of thanks by ICAN Vice President, CA. Bhaskar Singh Lala. Nearly, 160 Members participated in the program.



Group photo of Chairman, Guest, Panelist and Paper Presenter at the Interaction Program

The paper presentation can be viewed from the link below:

Presentation on “New Budget 2079-80 Reality or Paradox” by Dr. Dr. Raghu Bir Bista:

https://en.ican.org.np/_browsable/file/general/Overview_of_New_Budget_2079.pdf

Presentation on “Amendments in Tax Laws by Nepal Budget 2079” by CA. Arun Raut

https://en.ican.org.np/_browsable/file/general/Amendments_in_budget_79-80_Arun_Raut.pdf

Moreover, the Institute also published “Highlights of Federal Budget 2079/80” and it can be viewed from the link below:

https://en.ican.org.np/_browsable/file/general/Budget_2079-80.pdf



Group photo of participants in the Interaction Program

Certification Course on Forensic Accounting and Fraud Detection (FAFD)

The Institute has organized seven days Certification Course on Forensic Accounting and Fraud Detection from 25th April to 01st May, 2022 at ICAN premises in technical support of The Institute of Chartered Accountants of India (ICAI).



Group Photo of the participants at FAFD Certification Course along with the Officials of the Institute

The certification course mainly covered topics on Financial Fraud, Interviewing and Field Investigations, Use of Excel and CAAT, Digital Forensic and Cyber Law, Cyber Crime, Evidence Act and Money Laundering Prevention Act. Resource persons of the program were CA. Durgesh Pandey, CA. Satya Prakash Jaisawal, Mr. Pranya Chauhan, Mr. Pashupati Ray and Dr. Hari Kumar Nepal. Altogether, 30 participants attended the certification course.

Certification Course on Information System Audit (ISA)

The Institute in technical support of the Institute of Chartered Accountants of India (ICAI) has organized “Certification Course on Information System Audit (ISA)” from 10th to 21st June 2022 at ICAN premises, located at Satdobato, Lalitpur, Nepal. Total, 33 Chartered Accountants Members of the Institute attained this Certification Course.

Online Training on Valuation Standards

The Institute in technical support of The Institute of Chartered Accountants of India (ICAI) has organized a four-day online training on “Valuation Standards” from 9th to 12th June 2022. The training was organized with the

objective of providing practical and procedural insight in the valuation of securities and financial assets and create awareness about ICAI Valuation Standards, 2018. Around, 300 Members of the Institute participated in the training.

Continuing Professional Education (CPE)

During this quarter the Institute organized total five CPE training whereby, total 449 members attended the training. The CPE training basically covered various contemporary issues such as; NFRS for Micro Finance Companies and Hydropower Sector, NFRS for SMEs, Cyber Security and Cyber Crime, Audit Act, 2075, Foreign Direct Investment (FDI) Laws and Procedures, Assurance Standard NFRS, NAS for NPOs, Audit Documentation, Cooperative Audit, Audit of MEs including Financial Statements of MEs, Audit Conclusions and Reporting (NSA 700 series), materiality and various audit tests major Changes in Income Tax, VAT, Custom and Excise Tax, , major provisions of Income Tax and VAT with reference to amendment through Finance Bill 2079, major provision of Public Procurement Act, 2063 and Regulations, 2064.

Date of CPE	Location	Participants
1 st to 3 rd April, 2022	Tulsipur Dang	62
27 th to 29 th May, 2022	ICAN Premises, Satdobato	57
24 th to 26 th June, 2022	ICAN Premises, Satdobato	139
10 th to 12 th June, 2022	Nepalgunj, Banke	68
30 th June to 2 nd July, 2022	ICAN Premises, Satdobato	123

Capacity Development Training

The Institute organized two days Capacity Development Training on 17th and 18th June 2022 at Chitwan, Narayangadh. The training covered various contemporary topics related to: Construction Contract, Nepal Budget 2079/2080, Issues of Tax and VAT compliance, and Biological Assets. Altogether 35 members participated in the training.

Training on NFRS for SMEs

The Institute of Chartered Accountants of Nepal, Biratnagar branch conducted training on “NFRS for SMEs on 22nd May, 2022. The objective of the program was to help participants understand the significance of

application of NFRS in Small and Medium Sized Entities (SMEs).



A Glimpse of the Training Program on NFRS for SMEs

The program was Chaired by CA. Aswani Kumar Bansal, Coordinator of Biratnagar Branch Advisory Committee and Mr. Dirgaraj Niroula, Secretary of Ministry of Social Development, Province 1 was the Chief Guest of the Program. Likewise, CA. Arun Raut was a resource person of the program. During the training sessions CA. Arun Raut delivered the session on various topics including NFRS and NAS, scope of NFRS for SMEs along with Comparative Presentation of NFRS for SMEs, IFRS and local GAAP, format of other comprehensive incomes, current and non-current classification, accounting policies estimates and errors, disclosure in note, property plant and equipment, depreciation method, intangible assets other than goodwill, borrowing cost, investment properties, revenue, basic and others financial instrument issues, classification of liability and equity, leases, related party's disclosure etc. Altogether, 80 members including guests participated in the program.

Launch of ICAN Job Portal

The Institute has launched "ICAN Job Portal" platform to work together and explore opportunities for the Members and other persons associated with the Institute and willing to start their career in service Industries. In this job portal, job seekers can register and explore various opportunities available in the industries. Similarly, CA/RA Firms and corporate Entities can register themselves as job provider and post different vacancies related to the accounting profession. Members, CA/RA Firms and Corporate Entities including others associated with the Institute are

cordially requested to make effective use of "ICAN Job Portal" and meet their employment requirements.

Please click the link below for more details about ICAN Job Portal:

Job Portal Page: <https://jobportal.ican.org.np/>

Sign-up as Job Seeker / Employer: <https://jobportal.ican.org.np/user/register>

Login Link: <https://jobportal.ican.org.np/user/login>

Training on Authentic Leadership

The Women Leadership Committee of the Institute in coordination with the Being Beijing Committee has organized training for female members of the Institute. The purpose of the training was to develop capacity of female members. Total 18 members participated in the training organized on 8th and 9th July 2022.

Training of Trainers (ToT) on Audit Documentation

The Institute has organized a three-day Training of Trainers (ToT) on Audit Documentation for its practicing members to create competent pool of professional instructors who may be part of trainer in various program of the Institute. Altogether, 34 members participated in the training organized from 8th to 10th July, 2022.

Interaction Program on Provincial and Federal Budget

The Branch office in coordination with the respective Branch Coordination Committee of the Institute organized interaction program on Provincial and Federal Budget. The Biratnagar, Birgunj, Pokhara, and Dhandgadi branch office organized the interaction program on 24th, 18th, 29th and 26th of Ashadh, 2079 respectively. Whereas the Butwal and Nepalgunj branch office jointly organized the program on 2079/03/25.

Education

Visit by the delegation of ICAEW

Delegation from The Institute of Chartered Accountants in England and Wales (ICAEW), Mrs. Nicola Maher, ICAEW Project Manager and Mr. Jonathan Mbeve, ICAEW Technical Education Consultant visited Nepal from 22 to 26 May 2022, with the objective to have

stakeholder consultation in relation to revision of CA Curriculum of the Institute. During their visit, they hold interaction with the officials of Ministry of Finance (MoF), Financial Comptroller General Office (FCGO), Office of the Auditor General (OAG), the Council, Board of Studies, Tribhuvan University (TU), various coaching centers, resource person and faculties.

Scholarship Awarded

The Institute has awarded scholarship to total 277 students of different levels. The Institute awarded scholarship to 137, 103 and 37 students of CAP I, CAP II and CAP III level respectively. Detail notice and list of students receiving scholarship can be viewed from the link below:

https://en.ican.org.np/_uploads/_downloads/_files/3/527db70dfccd482d7744a004e44c868b.pdf

4th Chartered Accountants' Convocation Ceremony

The Institute has organized 4th Chartered Accountants' Convocation Ceremony on 22nd April, 2022 at ICAN Premises located at Satdobato, Lalitpur. Hon'ble Auditor General of Nepal, Mr. Tanka Mani Sharma (Dangal) was the Chief Guest of the Ceremony and Financial Comptroller General of Nepal, Mr. Suman Raj Aryal was the Guest of Honor.



Left: Chief Guest of the program- Hon'ble Auditor General, Mr. Tanka Mani Sharma (Dangal) inaugurating the Ceremony by lightening lamp in presence of ICAN President, CA. Yuddha Raj Oli and Immediate Past President, CA. Madan Krishna Sharma

The Ceremony was formally inaugurated by the Chief Guest, Hon'ble Auditor General, Mr. Tanka Mani Sharma (Dangal) where, as Chairperson of the Ceremony ICAN President, CA. Yuddha Raj Oli welcomed the participants.

Chairman of National Inclusion Commission and Former Registrar of Supreme Court of Nepal, Mr. Ram Krishna Timilsina was the Key Note Speaker in the Ceremony. Speaking on the occasion, Mr. Timilsina thanked the Institute for providing an opportunity to participate in the Convocation Ceremony in the capacity of Key Note Speaker and emphasized on the professional integrity, economic discipline and trust increment for economic prosperity and the role of the Institute in sustainable economic development of the country. He congratulated all the newly qualified Chartered Accountants and urged them to contribute positively for the development of the Accounting Profession.

Hon'ble Auditor General, Mr. Tanka Mani Sharma (Dangal) awarded Convocation Certificate to all 32 newly qualified Chartered Accountants. Thereafter, they took oath from ICAN President, CA. Yuddha Raj Oli. Speaking on the occasion, Hon'ble Auditor General, Mr. Tanka Mani Sharma (Dangal) highlighted the relationship and contribution of the auditors and economy of the country. Likewise, Financial Comptroller General, Mr. Suman Aryal congratulated the Institute and all the new members for their achievements. He highlighted about the necessity of professional commitments to face the challenges in the profession. During the program, CA. Saugat Parajuli representing the newly qualified Chartered Accountants shared his experience of Chartered Accountancy journey.



Glimpse of 4th Chartered Accountants Convocation Ceremony

The Ceremony was concluded with the vote of thanks by ICAN Vice President, CA. Bhaskar Singh Lala. The Ceremony was attended by Council Members, Past Presidents, AuDAN President, Staffs of the Institute, Students and their parents.

CAP-I Students' Orientation Program

The Institute with the objective to impart knowledge among new students about Chartered Accountancy Course, prospects of Chartered Accountants and welcome them in the fraternity of CA students organized a CAP-I Students' Orientation Program for Student Registered for December 2022 Examination on 12th July 2022 at Nepal Academy Hall, Kamaladi Kathmandu.

The program was chaired by ICAN President, CA. Yuddha Raj Oli whereby, Hon'ble Auditor General Mr. Tanka Mani Sharma (Dangal) was the Chief Guest in the Program. Likewise, Governor of Nepal Rastra Bank, CA. Maha Prasad Adhikari was the Special Guest in the Program.



Hon'ble Auditor General, Mr. Tanka Mani Sharma (Dangal) addressing the students in the Program

Executive Director CA. Sanjay Kumar Sinha welcomed all the students in the program. Likewise, Council Member and CEO of Kumari Bank Limited, CA. Ram Chandra Khanal gave a motivational speech in the Program And recently qualified Chartered Accountants, CA. Rabin Dhakal and CA. Ritu Shakya shared their experiences with the students.



Glimpse of CAP-I Student's Orientation Program

Total 1,106 students of CAP-I level participated in this program whereby 936 students attended the program at Nepal Academy and remaining 170 students at Biratnagar, Birgunj, Butwal, Pokhara, Nepalgunj, attained program via zoom. And, total 20 students of CAP- I level gave their cultural presentation in the program. The program concluded with Vote of Thanks by Vice President CA. Bhaskar Singh Lala.

ICAN Students' Contest 2022

The Institute has organized Students' Contest on Quiz, Elocution, Poem, and Debate on 21st and 22nd June 2022 at ICAN Premises located at Satdobato, Lalitpur, Nepal. Total, 32 Students participated in the Contest. The result of winner of Contest was announced on 24th June 2022. The total number of participants and Winner of the Contest has been presented in the table below:

Quiz Contest (Total Participants:7)			
S.No.	Name of Student	Registration Number	Remarks
1	Nischal Adhikari	FN002383	Winner
2	Oscar Dangal	FN002380	1st Runner Up
3	Dibas K.C.	FN002769	2nd Runner Up
Elocution Contest (Total Participants: 6)			
S.No.	Name of Student	Registration Number	Remarks
1	Sangya Pant	FN002841	Winner
2	Supekshya Neupane	FN002766	1st Runner Up
3	Nilanjana Mishra	FN002044	2nd Runner Up
Debate Contest (Total Participants: 12)			
S.No.	Name of Student	Registration Number	Remarks
1	Rabita Khanal	FN008943	Winner
2	Alisa Pokharel	FN009694	1st Runner Up
3	Saiyam Bajracharya	FN009902	2nd Runner Up
Poem Contest (Total Participants: 7)			
S.No.	Name of Student	Registration Number	Remarks
1	Aashish Upadhya	FN0013660	Winner
2	Ranjita Chaulagain	FN008497	1st Runner Up
3	Pragya Acharya	FN0010410	2nd Runner Up

Furthermore, the winner of ICAN Quiz and Elocution Contest shall also enjoy the preference for Institutional nomination to participate in South Asian Federation of Accountants (SAFA) Quiz and Elocution Contest which will be organized by the SAFA.



Awards and Recognition

Coinciding with the 04th Convocation Ceremony held on 22nd April, 2022 at ICAN premises, the Institute distributed prize to the Winners and Runner Ups of Quiz and Elocution Contests organized by the Institute in 2021 along with distribution of Medals and Merit Certificates to the students of December 2020 and June 2021 CA Examination.

Moreover, coinciding with the CAP-I Students' Orientation Program for Student Registered for December 2022 Examination held on 12th July 2022 at Nepal Academy, the Institute organized prize distribution program with cash prize of NPR 15,000, NPR 10,000 and NPR 5,000 to the Winner, 1st and 2nd Runner Up in the Contest respectively in the "ICAN Students Contest-2022". Similarly, Certificate of Appreciation was distributed to students performing in 1st National Convention of Accounting Profession, 4th Chartered Accountancy Convocation and CAP-I Students Orientation Program.

Chartered Accountancy Examination, June 2022

The Institute of Chartered Accountants of Nepal has conducted Chartered Accountancy CAP-I, CAP-II and CAP-III level and CA Membership for ACCAs Examination, June 2022 from 1st to 9th June 2022 in Kathmandu Valley, Biratnagar, Butwal, Pokhara and Chitwan. Altogether 5,611 students appeared in the examination out of total 6,186 applied students. Likewise, total 3 candidates applied and appeared in CA Membership examination for ACCAs. Details of students applied and appeared in different level of CA Examination; June 2022 is as follows:

Level	CAP-I	CAP-II			CAP-III		
		Group I	Group II	Both	Group I	Group II	Both
Applicants	2,513	623	426	1,369	479	418	358
Appeared	2,371	491	345	1,289	424	347	351

Chartered Accountancy Membership Examination March 2022 Result Published

The Institute has published the result of CA Membership Examination held on 15 and 16 March 2022. The result was published on 27 April 2022. Altogether, 94 applicant qualify the CA Membership Examination out of total 452 applicants where 392 applicants appeared the exam.

Career Counselling

Dhangadi branch office of the Institute has organized a career counselling program at Dhangadi in altogether 8 schools at Kailali and Kanchanpur district of Sudurpaschim Province from 23th February to 28th March, 2022. The objective of this career counselling program was to inform the students about Chartered Accountancy Education, Syllabus, Fees, Scholarship opportunity, pass marks criteria, Students queries and other relevant and useful information for pursuing Chartered Accountancy Course in Nepal.

Interaction Program on "Guidelines for Granting Accreditation to Academy Providing Coaching Classes"

The Institute has organized an interaction program with the CA Coaching Institutions for amendment of the "Guidelines for Granting Accreditation to Academy providing Coaching Classes" on 16th June 2022 at ICAN premises located at Satdobato, Lalitpur, Nepal. The objective of this program was to address the concerns of academies who have been granted accreditation from the Institute and other stakeholders. Altogether, 17 individuals from different coaching institutions participated in the program.

National Relation: Public and Government

First National Convention of Accounting Professionals -2022 on the Theme "Upholding Public Interest"

The Institute organized first National Convention of Accounting Professionals-2022 on the theme "Upholding Public Interest" on 3rd and 4th May, 2022 at Nepal Academy, Kamaladi, Kathmandu. The Convention was organized with the objective to demonstrate the role of professional accountants in balanced growth of the national economy and unite the voice of all accounting professionals in one platform for better and enhanced financial reporting and accounting services; and to bring together all the regulating authorities within Nepal for better regulation with improved cooperation and coordination. Around 1,300 participants including members and accounting professionals participated in the convention.

The opening session of the Convention was conducted in the Chairmanship of ICAN President, CA. Yuddha Raj Oli where, Hon'ble Finance Minister, Mr. Janardan Sharma "Prabhakar" was the Chief Guest of the Convention and Hon'ble Auditor General, Mr. Tanka Mani Sharma (Dangal) and Financial Comptroller General, Mr. Suman Raj Aryal were Special Guests. Likewise, President of the Association of Chartered Accountants of Nepal (ACAN), CA. Ananda Raj Sharma Wagle and President of the Auditors' Association of Nepal (AUDAN), RA. Mohan Raj Regmi were the Guests in the Convention.



Chairperson, Chief Guest, Special Guest and Guest in the Opening Session of Convention

The Convention was inaugurated by Hon'ble Finance Minister, Mr. Janardan Sharma "Prabhakar" by lightening the lamp. ICAN President, CA. Yuddha Raj Oli gave his welcome remarks and welcomed the Chief Guest, Special Guests, Guests, ICAN Past Presidents, Council Members, all the Members, Media Persons, Students and Staffs in the Convention by delivering his welcome remarks.



President, CA. Yuddha Raj Oli delivering welcome remarks in the Opening Session

Hon'ble Finance Minister, Mr. Janardan Sharma "Prabhakar", addressed the program and commended the Institute for organizing the first convention of Accounting Professionals and congratulated the Institute for celebrating its 25th Anniversary. During his address, he emphasized on the role and contribution of accounting professionals in national economy and said that the accounting professionals are the mirror of economy. Likewise, he urged accounting professionals to maintain financial discipline, professional ethics and to realize that their Integrity is inevitable for maintenance of national prosperity and sovereignty.



Hon'ble Finance Minister, Mr. Janardan Sharma "Prabhakar" addressing the Program

Hon'ble Auditor General, Mr. Tanka Mani Sharma (Dangal) addressed the program and congratulated the Institute for the achievements and highlighted the importance of the relationship between the Institute and the Office of the Auditor General. During his speech, he focused on role, contribution, scope and limitation of accounting profession and, the utmost need of accounting professionals for maintaining their financial discipline, professional integrity along with other professional ethical requirements. He also hope that the program will be fruitful in maintaining coordination and cooperation amongst all the regulatory bodies which will ultimately aid in national economy.



Hon'ble Auditor General, Mr. Tanka Mani Sharma (Dangal) addressing the Program

Similarly, Financial Comptroller General, Mr. Suman Raj Aryal also stressed that accounting professionals are one of the key pillars of national economy and emphasized to act with the changing global scenario, information technology and corporate governance amongst the Accounting Profession.



Financial Comptroller General, Mr. Suman Raj Aryal, addressing the program

Likewise, AUDAN President, RA. Mohan Raj Regmi and ACAN President CA. Ananda Raj Sharma Wagle also addressed the program. Following the address, the President, CA. Yuddha Raj Oli honored the Chief Guest, Special Guest and Guest by presenting them a token of love. And, the opening session of the program was concluded with vote of thanks by ICAN Vice President, CA. Bhaskar Singh Lala.

In the second session of the program a panel discussion on **“Role of Regulators in Upholding Public Interest”** was held in the Chairmanship of Hon’ble Auditor General, Mr. Tanka Mani Sharma (Dangal). Following were the Panelist in the technical session:

Name of Panelist	Designation	Representative From
CA. Yuddha Raj Oli	President	The Institute of Chartered Accountants of Nepal (ICAN)
Mr. Bed Prasad Bhandari	Assistant Spokesperson and Information Officer	Commission for Investigation of Abuse of Authority (CIAA)
Mr. Ramesh Kumar K.C.	Joint Secretary	Ministry of Finance (MoF)
Mr. Prem Prasad Bhattarai	Director General	Department of Money Laundering Investigation (DoML)

Mr. Rudra Prasad Pandit	Registrar	Department of Cooperatives (DoC)
Mr. Ramesh Kumar Dhakal	Chairman	Securities Board of Nepal (SEBON)
Mr. Sushil Dev Subedi	Director	Insurance Board
Mr. Kuber Kathayat	Senior Superintendent of Police	Central Investigation Bureau (CIB)
Mr. Basanta Kunwar	Senior Superintendent of Police	Kathmandu Valley Crime Investigation Department (KVCID)
Ms. Bishnu Kumari Bhattarai	Registrar	Nepal Copyright Registrar’s Office (NCRO)



Panelist at Panel Discussion Session on “Role of Regulators in Upholding Public Interest”

President, CA. Yuddha Raj Oli gave a paper presentation on **“Role of Regulators in Upholding Public Interest”**. The panelist briefed about the major regulatory activities and procedures of their respective regulatory bodies and addressed the queries raised by the participants. The panel discussion was mainly concentrated with the policy level provision and legal arrangement related to the scope and dimension of work areas of every regulatory bodies. At the end of the panel discussion, it was concluded that all the regulatory bodies shall work within their scope defined by the legislation and expressed commitment to work together for the development of national economy.

Followed, by panel discussion, a paper was presentation by Deputy Auditor General, Office of the Auditor General, Mr. Ramu Prasad Dotel on **“Role of Information Communication Technology in Good Governance”**. Likewise, Joint Secretary, Ministry of Finance and Council Member of the Institute, Mr. Babu Ram Subedi

presented a paper on **“Role of Accounting Profession in Entrepreneurship Development”**. President CA. Yuddha Raj Oli gave token of love to the paper presenters and the first day of the convention was concluded. The first day of program was hosted by Senior News Editor, Mrs. Shivane Thapa Basnet.



President, CA. Yuddha Raj Oli Presenting Token of Love to Deputy Auditor General, Office of the Auditor General, Mr. Ramu Prasad Dotal



President, CA. Yuddha Raj Oli Presenting Token of Love to Joint Secretary, Ministry of Finance and Council Member, Mr. Babu Ram Subedi

The Second day of the Program was started with the opening and welcome remarks by ICAN Executive Director, CA. Sanjay Kumar Sinha. During his remarks, he focused on the role of regulatory bodies and need of coordination among all the regulatory bodies for smooth and subjective take up of issues arising out of professional services rendered by members of any fraternity. He also, highlighted about the ongoing process of revision in Chartered Accountancy syllabus and plans initiated by

the Institute to make Accounting Technician course more effective to meet the requirement of account prepares in various sectors and thanked all the participants and hoped to receive the same level of participation of all the members, students and other representatives of various sectors in the upcoming program of the Institute as well.



Executive Director, CA. Sanjay Kumar Sinha addressing the opening session of second day program

In the program, Hon'ble Auditor General, Mr. Tanka Mani Sharma (Dangal) addressed the program as a Key Note Speaker. In his speech, he stressed about the need of accurate valuation of national GDP and the role of accounting professionals in this regard. He also highlighted about the need for Corporate Immune System (CIS) and urged all the accounting professionals to maintain Integrity.



Hon'ble Auditor General, Mr. Tanka Mani Sharma (Dangal) addressing as a Key Note Speaker in the second day of the Program

In the second session, Immediate Past President, CA. Madan Krishna Sharma presented a paper on **“Contemporary Development in Accounting Profession”** where he highlighted about the international developments and national scenario of accounting profession and gave a way forward.



Immediate Past President, CA. Madan Krishna Sharma presenting in the Convention

Likewise, Director of Nepal Rastra Bank, Mr. Madhav Dangal made presentation on “**Macroeconomic Trends, Current Situations, Emerging Challenges and Way Forward**”. The presentation was comprehensive and gave insight about the World Economic Outlook (*Global economic growth, inflation, impact of Ongoing Ukraine-Russia Tension on Global Growth*), Domestic Economy, Macroeconomic trends, Current Situation (*Real, fiscal, external and monetary sector*), Emerging Challenges and Way Forward.



Director of Nepal Rastra Bank, Mr. Madhav Dangal giving paper presentation on “Macroeconomic Trends, Current Situations, Emerging Challenges and Way Forward” in the Convention

The next session was related to panel discussion on “Current Scenario of National Economy and Way Forward” in the Chairmanship of Governor of Nepal Rastra Bank, CA. Maha Prasad Adhikari.



Governor, CA. Maha Prasad Adhikari addressing in the Panel Discussion on “Current Scenario of National Economy and Way Forward”

The panel discussion was concluded with the closing remarks of Governor, CA. Maha Prasad Adhikari.

Name of Panelist	Designation	Representative From
CA. Yuddha Raj Oli	President	ICAN
Dr. Surendra Kumar Upreti	Chief Economic Advisor	Ministry of Finance
Mr. Mahesh Acharya	Joint Secretary	Ministry of Finance
Mr. Anil Kumar Upadhyay	President	Nepal Bankers' Association

The panel discussion was focused on comprehensive analysis of current macro-economic factors and indicators including inflation, liquidity, money supply, import, export, capital formation, remittance, supply change disruption along with the comparative analysis of global economic scenario, challenges and probable way forwards.

The last session of the program was organized in the presence of National Artist, Mr. Madan Krishna Shrestha and Mr. Hari Bansha Acharya where they shared their life experience and insight on value of life. After their experience sharing session, a short movie related to the Institute was also launched in the same occasion. President, CA. Yuddha Raj Oli appreciated their contribution to ICAN through their presence in short movie by felicitating the artists with token of love. The short movie was successful enough to disseminate the awareness on educative and regulatory role of the Institute

and was applauded by participants for introducing the Institute to the General Public through effective medium.



President CA. Yuddha Raj Oli presenting token of love to veteran artist Mr. Madan Krishna Shrestha and Mr. Hari Bansha Acharya

Vice President, CA. Bhaskar Singh Lala concluded the program with closing remarks and vote of thanks to the Chairperson, Special Guests, Guests, Panelists, Paper Presenters, Participants, Media Person, Students and Staffs for their valuable presence and active participation in this program and making it a historical day for all the accounting professionals.



Vice-President CA. Bhaskar Singh Lala delivering concluding remarks in the closing ceremony of the program

And, lastly, a cultural program was held in the presence of national singer Ms. Melina (Chamling) Rai accompanied by cultural performance by the Chartered Accountant Students, which was facilitated by Nepal Chartered Accountant Students' Association (NCASA). President, CA. Yuddha Raj Oli presented token of love to the artists.



Cultural performance of Ms. Melina (Chamling) Rai and CA Students in the closing session of the Convention

Moreover, parallelly with the Convention, the Institute also organized a blood donation program and 69 people donated blood.



Participants during the Convention

Report on First National Convention of Accounting Professionals

The Institute has published a report on First National Convention of Accounting Professionals which can be viewed from the link below:

https://en.ican.org.np/_browsable/file/general/Report_Convention.pdf

Interaction Program on Contemporary Issues related to Accounting and Auditing in Insurance Companies

The Institute in joint coordination with the Insurance Board of Nepal (Beema Samiti) has organized an Interaction Program on Contemporary Issues related with

Accounting and Auditing in Insurance Companies on 7th July 2022 at Hotel Royal Singi, Kamaladi, Kathmandu. The program was chaired by ICAN President, CA. Yuddha Raj Oli. The program was organized in two sessions. In the first session following paper were presented:

Particulars	Presented By:	Presentation Topic
Presentation I:	CA. Sanjay Kumar Sinha, Executive Director ICAN	Regulatory Role of ICAN
Presentation II:	Mr. Sushil Dev Subedi, Director of Beema Samiti	Regulatory Role of Insurance Board
Presentation III:	CA. Prabin Kumar Jha, Council Member	Accounting Issues of Insurance Companies – Auditors’ Perspective



Left: Mr. Chunky Chhetry (Chairman, Nepal Insurers’ Association); CA. Sanjay Kumar Sinha (Executive Director, ICAN); Mr. Surya Prasad Silwal (Chairman, Insurance Board); CA. Yuddha Raj Oli (President, ICAN); CA. Bhaskar Singh Lala (Vice President, ICAN); Mr. Raju Raman Paudel (Executive Director, Insurance Board) and • Mr. Nirmal Kajee Shrestha (Chairman, Life Insurers’ Association Nepal)

In the second session, a panel discussion followed by an open forum discussion on “**Accounting and Auditing in Insurance Companies**” was held in the Chairmanship of President, CA. Yuddha Raj Oli. Following were the Panelist in the session:

Name of Panelist	Designation	Representative From
CA. Yuddha Raj Oli	President	The Institute of Chartered Accountants of Nepal (ICAN)
Mr. Sushil Dev Subedi	Director	Beema Samiti
Mr. Chunky Chhetry	Chairman	Nepal Insurers’ Association (CEO, Sagarmatha Insurance Company Ltd.)

Mr. Nirmal Kajee Shrestha	Chairman	Life Insurers’ Association Nepal (Vice President and General Manager, Met Life)
CA. Prabin Kumar Jha	Council Member	The Institute of Chartered Accountants of Nepal (ICAN)

Cordial Meeting of ICAN Council with the Hon’ble Auditor General

ICAN President, CA. Yuddha Raj Oli, Vice President, CA. Bhaskar Singh Lala and Council Members had a cordial meeting with the Hon’ble Auditor General of Nepal, Mr. Tanka Mani Sharma Dangal and Deputy Auditor General, Mrs. Rammaya Kunwar on 5th June 2022 at Office of the Auditor General. During the meeting discussion about contemporary issues on the accounting profession and scope for inclusion of private sector audit report in the Report of Auditor General was made.



Group photo of ICAN President, Vice President and Council Members with the Hon’ble Auditor General and Deputy Auditor General at Office of the Auditor General

Participation in the Regulatory Coordination Mechanism Meeting

ICAN President, CA. Yuddha Raj Oli participated in the meeting on Regulatory Coordination Mechanism (*Samyantra*) organized by the Regulatory Coordination Mechanism Committee on 17th June 2022. The meeting was coordinated by the Governor of Nepal Rastra Bank and Coordinator of the Committee, CA. Maha Prasad Adhikari. This meeting was focused on the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT).

Participation in the Interaction Program organized by the Ministry of Communication and Information Technology

Delegation from the Institute comprising of ICAN Executive Director, CA. Sanjay Kumar Sinha, and

Joint Director, CA. Kiran Kumar Khatri participated in the Interaction Program organized by the Ministry of Communication and Information Technology on 12th June 2022. During the program, CA. Kiran Kumar Khatri gave a paper presentation on “NFRS implementation on Public Entities and Monitoring Income Statement of Network Service Provider (NSP) and Internet Service Provider (ISP)”.

Participation in the Training Organized by Ministry of Communication and Information Technology

Joint Director, CA. Kiran Kumar Khatri representing the Institute participated in the training organized by Ministry of Communication and Information Technology on 20th June 2022. During the training session, CA. Kiran Kumar Khatri gave a paper presentation on “Nepal Financial Reporting Standards (NFRS) and Nepal Accounting Standards (NAS)”.

Audit Advisory Committee of Office of the Auditor General attended

President, CA. Yuddha Raj Oli has attended meetings of Advisory Committee of the Office of the Auditor General of Nepal on time to time as convened the meetings by Office of the Auditor General on time to time

Representation in interaction program on NFRS 3 and NFRA 9 organized by Nepal Bankers' Association

President, CA. Yuddha Raj Oli and Joint Director, CA. Kiran Kumar Khatri represented the Institute in the interaction program organized by Nepal Bankers' Association on 8th July 2022 in Kathmandu. Representative from Accounting Standard Board were also present in the program. This program was organized in presence of Governor, CA. Maha Prasad Adhikari. Officials of Nepal Rastra Bank.

International Relation: Global Positioning and Leadership

Recognition Agreement Signed with The Institute of Chartered Accountants in England and Wales (ICAEW)

The Institute of Chartered Accountants of Nepal (ICAN) has given continuity to the Recognition Agreement with

The Institute of Chartered Accountants in England and Wales (ICAEW) for mutual recognition of members of either Institute by each other.

The Recognition Agreement was signed by CA. Yuddha Raj Oli, President of ICAN and Mr. William Brooks, President of ICAEW in the office of ICAEW, UK on 18th May 2022.



Left: Vice President, CA. Bhaskar Singh Lala, Council Member RA. Shankar Gyawali, ICAN President, CA. Yuddha Raj Oli, ICAEW President, Mr. William Brooks, Executive Director, CA. Sanjay Kumar Sinha

Moreover, the Institute has also renewed Mutual Collaboration Agreement with Association of Chartered Certified Accountants (ACCA) for another five years. The agreement was signed by CA. Yuddha Raj Oli, President of ICAN and Ms. Helen Brand, CEO of ACCA in the office of ACCA, UK on 20th May, 2022. Delegation of Institute led by President, CA. Yuddha Raj Oli comprising of Vice President, CA. Bhaskar Singh Lala, Council Member RA. Shankar Gyawali and Executive Director, CA. Sanjay Kumar Sinha visited UK for signing of agreements and exploring avenues of more technical collaboration with international professional organizations.



Left: Council Member, RA. Shankar Gyawali, Vice President, CA. Bhaskar Singh Lala, ICAN President, CA. Yuddha Raj Oli, Ms. CEO, Helen Brand ACCA Executive Director, CA. Sanjay Kumar Sinha and Ms. Mahalah Groves from ACCA.



Participation in SAFA SME Development Conference on “Supporting Small Businesses in Financial & Cost Management”

The International Relations Committee of SAFA has organized the SAFA SME Development Online Conference on "Supporting Small Businesses in Financial & Cost Management" to celebrate Micro, Small and Medium-Sized Enterprises Day on 27th June 2022 and hosted by CMA Sri Lanka. In the Conference, Council Member, CA. Surendra Shrestha represented the Institute as a Panelist in panel discussion on topic “South Asian Experiences in SME Development with Member Bodies of SAFA.”

Participation in the SAFA Women Leadership Committee Meeting

RA. Meera Shrestha, Past Council Member representing the Institute, participated in the SAFA Women Leadership committee meeting organized by the Institute of Chartered Accountants of Bangladesh (ICAB) on 9th June 2022.

Institutional Development and Sustainability

Participation in “The Managers Workshop Training”

Two staffs of the Institute participated in one day outdoor training “The Managers Workshop” organized by The Management Association of Nepal on 01st July 2022 at Park Village Resort, Budhanilakantha.

Training on “Evolve to Excellence”

The Institute organized a full day training for its staffs on the topic “Evolve to Excellence” on 12th June 2022 at Badikhel, Lalitpur. The resource persons of the training were from KFA Training School. The training was focused on performance improvement of the staffs and the Institute as a whole. Total, 54 staffs actively participated in this practical based training.

Workshop on Procurement Process

The Institute organized a workshop for its staff on procurement process on 5th July 2022 at ICAN premises. The objective of this workshop was to provide insight to

the concerned staff on the general procurement process. CA. Devendra Gautam and CA. Bibek Ananda Rauniyar were the resource person in the workshop. Total 18 staffs participated in this workshop.

ICAN NOTICE

Notice regarding 21st World Congress of Accountants (WCOA)

The Institute has published the notice regarding 21st World Congress of Accountants (WCOA) which is going to be held from 18th to 21st November 2022 in Mumbai, India. The notice, registration link and brochure of the same can be viewed from the link below:

https://en.ican.org.np/_uploads/_downloads/_files/3/2f7e6c6255c3b77c60b6156c59f70973.pdf

NATIONAL UPDATES

Suggestion and Feedback on Monetary Policy Fiscal Year 2079/80

Nepal Rastra Bank has issued a notice requesting to provide suggestion and feedback on Monetary Policy for fiscal year 2079/80. The suggestion and feedback can be sent in mail at monetarpolicy@nrb.org.np or can be delivered physically at the Economic Research Department of the Nepal Rastra Bank.

Remittance Regulation and Supervision Bylaws, 2079

Nepal Rastra Bank has issued Remittance Regulation and Supervision Bylaws, 2079. The By-laws can be viewed from the link below:

<https://www.nrb.org.np/contents/uploads/2022/06/RemittanceByLaw2079.pdf>

Amendment in Unified Directive on Payment System, 2078

Nepal Rastra Bank has issued Circular to all the institutions engaged in transaction related to payment system. The Circular can be viewed from the link below:



<https://www.nrb.org.np/contents/uploads/2022/06/Circular-9-1.pdf>

Amendment in Money Changer License and Supervision By-laws, 2077

Nepal Rastra Bank has issued Circular regarding amendment made in Money Changer License and Supervision By-laws, 2077. The Circular can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2019/12/NRB-Money-Changer-Bylaw-2077_1st-Amendment.pdf

Amendment in Unified Circular 2078 issued to Institutions working in Foreign Exchange

Nepal Rastra Bank has issued Circular regarding amendment made in Unified Circular 2078 issued to Institutions working in Foreign Exchange. The amendments are related to inclusion of provision related to Money Laundering. The Circular can be viewed from the link below:

<https://www.nrb.org.np/contents/uploads/2022/06/Circular-no-27-AML-CFT.pdf>

Amendment in Unified Circular 2078 issued to Institutions working in Foreign Exchange

Nepal Rastra Bank has issued Circular regarding amendment made in Unified Circular 2078 issued to Institutions working in Foreign Exchange. The Circular can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2022/06/FXMD_Circular-28_207879.pdf

Issuance of Insurer Corporate Governance Directives, 2075 (Third Amendment, 2078)

Insurance Board with the objective to provision the relationship and responsibilities amongst the Board of Directors, Shareholders and Management of the Insurer and to protect the interest of Insured by maintaining Corporate Governance at Insurer has issued third amendment to Insurer Corporate Governance Directives, 2075. The Directives can be viewed from the link below:

<https://nib.gov.np/wp-content/uploads/2022/06/111-3.pdf>

Circular related to Merger and Acquisition of Insurance Companies

Insurance Board has issued Circular to all the Insurer regarding Merger and Acquisition of Insurance Companies. The Circular can be viewed from the link below:

<https://nib.gov.np/wp-content/uploads/2022/06/circular-1-converted.pdf>

Circular to all Insurer

Insurance Board has issued Circular to all the Insurer regarding provision related to tax implication during Merger and Acquisition of Insurance Companies and procedures to be followed for obtaining tax benefit. The Circular can be viewed from the link below:

https://nib.gov.np/wp-content/uploads/2022/06/%E0%A4%AA%E0%A4%B0%E0%A4%BF%E0%A4%AA%E0%A4%A4%E0%A5%8D%E0%A4%B0_20220606_0001.pdf

Circular for Amendment in Unified Directives to A, B and C Class Bank and Financial Institutions, 2078

Nepal Rastra Bank has issued Circular to A, B and C Class Bank and Financial Institutions regarding amendments made in the Unified Directive, 2078. The Circular can be viewed from the link below:

<https://www.nrb.org.np/contents/uploads/2022/05/ABC-Circular-no-11.pdf>

Federal Budget Unveiled

Federal budget for F.Y. 2079/80 was tabled by Hon'ble Finance Minister Mr. Janardhan Sharma (Prabhakar) in the House of Representatives and National Assembly on 29th May 2022 (2079/02/15). The finance bill can be viewed from the link below:

<https://www.mof.gov.np/site/publication-detail/3175>



Likewise, the budget speech can be viewed from the link below:

<https://www.mof.gov.np/uploads/document/file/1653929758>

Issuance of Insurer Corporate Governance Directives, 2075 (Second Amendment, 2078)

Insurance Board with the objective to provision the relationship and responsibilities amongst the Board of Directors, Shareholders and Management of the Insurer and to protect the interest of insured by maintaining Corporate Governance at insurer has issue second amendment to insurer Corporate Governance Directives, 2075. The Directives can be viewed from the link below:

<https://nib.gov.np/wp-content/uploads/2022/04/Corporate-Governance-2075.01.09-Final.pdf>

Issuance of Insurer Registration and Insurance Business Operation Directives, 2073 (First Amendment, 2078)

Beema Samiti with the objective to promote transparency in registration of Insurer along with provision for registration and operation of foreign insurer and to set standard for operation of insurance business, has issued first amendment to the Directives related to Insurer Registration and Insurance Business Operation. The Directives can be viewed from the link below:

<https://nib.gov.np/wp-content/uploads/2022/04/>

Income Tax Directives, 2066 (Fourth Amendment, 2078)

Inland Revenue Department has issued Income Tax Directives, 2066 (Fourth Amendment, 2078). The Directives can be viewed from the link below:

<https://ird.gov.np/public/pdf/75407647.pdf>

INTERNATIONAL UPDATES

IPSASB Launches Consultation Paper on Accounting for Natural Resources

The International Public Sector Accounting Standards Board (IPSASB) has released a Consultation Paper (CP),

Natural Resources, which considers the issues relating to the recognition, measurement, and presentation of natural resources by public sector entities.

The Consultation Paper can be viewed from the link below: <https://www.ifac.org/system/files/publications/files/Natural-Resources-CP.pdf>

Register or Sign In to submit the comment for the link below:

<https://www.ipsasb.org/publications/consultation-paper-natural-resources>

Comments are due by: 17th October, 2022

The detail can be viewed from the link below:

<https://www.ipsasb.org/news-events/2022-05/ipsasb-launches-consultation-paper-accounting-natural-resources>

Exposure Draft and comment letters: General Sustainability-related Disclosures

The International Sustainability Standards Board (ISSB) has published the Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (General Requirements Exposure Draft) which sets out the overall requirements for an entity to disclose sustainability-related Financial Information about all its significant sustainability-related risks and opportunities, to provide the market with a complete set of sustainability-related financial disclosures. The General Requirements Exposure Draft is open for comment until 29th July 2022.

To Access the Exposure Draft.

<https://www.ifrs.org/content/dam/ifrs/project/general-sustainability-related-disclosures/exposure-draft-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf>

For Login/Register to submit the comment letter;
<https://www.ifrs.org/login/?resource=/content/ifrs/>



[home/projects/work-plan/general-sustainability-related-disclosures/exposure-draft-and-comment-letters.html](https://www.ifrs.org/projects/work-plan/general-sustainability-related-disclosures/exposure-draft-and-comment-letters.html)

For further details;

<https://www.ifrs.org/projects/work-plan/general-sustainability-related-disclosures/exposure-draft-and-comment-letters/#consultation>

Tentative Agenda Decision and comment letters: Multi-currency Groups of Insurance Contracts (IFRS 17 and IAS 21)

The IFRS Interpretations Committee has open comment on following agenda discussion: The Committee received a request about how to account for Insurance Contracts that generate cash flows in more than one currency. The request asked:

- whether an entity considers currency exchange rate risks when applying IFRS 17 to identify portfolios of Insurance Contracts; and
- how an entity applies IAS 21 in conjunction with IFRS 17 in measuring a group of Insurance Contracts that generate cash flows in more than one currency (a multi-currency group of Insurance Contracts).

The deadline for commenting on the tentative agenda decision is by 19th August 2022.

To Login/Register to submit the comment letter, <https://www.ifrs.org/login/?resource=/content/ifrs/home/projects/work-plan/multi-currency-groups-of-insurance-contracts-ifrs-17-and-ias-21/tentative-agenda-decision-and-comment-letters.html>

For further details, <https://www.ifrs.org/projects/work-plan/multi-currency-groups-of-insurance-contracts-ifrs-17-and-ias-21/tentative-agenda-decision-and-comment-letters/#consultation>

New Education Standards Focus on Enhancing Accountancy's Technology and Skepticism Skills

The International Accounting Education Standards Board (IAESB) has released four revised International Education

Standards (IESs) addressing learning and development for information and communications technologies (ICT) and professional skepticism. As market expectation increases for ICT skills and professional skepticism, these standards were developed to address the competencies, skills, and behaviors for both aspiring and professional accountants in these critical areas. The detail can be viewed from the link below:

<https://www.iaesb.org/news-events/2019-10/new-education-standards-focus-enhancing-accountancys-technology-and-skepticism-skills>

IFAC calls on global business leadership to drive trust and sustainable value creation by championing an “integrated mindset”

IFAC's call-to-action, Championing an Integrated Mindset to Drive Sustainable Value Creation, highlights what it means to adopt an integrated mindset, why it is important and how it is achieved. The detail can be viewed from the link below:

<https://www.ifac.org/news-events/2022-06/ifac-calls-global-business-leadership-drive-trust-and-sustainable-value-creation-championing>

USAID Joins IFAC, The Global Fund, and Gavi in Efforts to Strengthen Public Financial Management in the Public Health Sector

USAID (United States Agency for International Development) has joined the International Federation of Accountants (IFAC); The Global Fund to Fight AIDS, Tuberculosis and Malaria; and Gavi, the Vaccine Alliance, in signing a Memorandum of Understanding (MOU) to support in-country financial management. The agreement supports programming for local accountancy and finance professionals and efforts to improve financial transparency, accountability, and anti-corruption efforts in the public health sector. The detail can be viewed from the link below:

<https://www.ifac.org/news-events/2022-06/usaids-joins-ifac-global-fund-and-gavi-efforts-strengthen-public-financial-management-public-health>



Sustainable debt key to financing economic transition: IFAC and CPA Canada study

A new, comprehensive study that delves into the challenges and opportunities that exist in the sustainable debt market – Navigating the sustainable debt market: Enhancing credibility in an evolving market – is the result of a collaborative effort by IFAC and Chartered Professional Accountants of Canada (CPA Canada), who recruited PwC Canada to conduct the underlying research. The detail can be viewed from the link below:

<https://www.ifac.org/news-events/2022-06/sustainable-debt-key-financing-economic-transition-ifac-and-cpa-canada-study>

IESBA Commits to Readying Global Ethics and Independence Standards Timely in Support of Sustainability Reporting and Assurance

The International Ethics Standards Board for Accountants (IESBA) has unanimously resolved to take timely action to develop fit-for-purpose, globally applicable ethics, and independence standards as a critical part of the infrastructure needed to support transparent, relevant and trustworthy sustainability reporting. This recognizes the need to respond at pace to match the speed of transformation in the Corporate Reporting landscape. Demand for sustainability information has risen substantially and rapidly in recent years, and such information is increasingly used to support capital allocation or other decisions by investors, customers, current or potential employees, and other stakeholders. It also recognizes the essential role ethics and independence play in the production, reporting and assurance of sustainability information. The detail can be viewed from the link below:

<https://www.ethicsboard.org/news-events/2022-06/iesba-commits-readying-global-ethics-and-independence-standards-timely-support-sustainability>

IPSASB Launches Consultation Paper on Accounting for Natural Resources

The International Public Sector Accounting Standards Board (IPSASB) has released a Consultation Paper (CP), Natural Resources, which considers the issues relating to the recognition, measurement, and presentation of natural resources by public sector entities. The due date for comment is by October 17, 2022 and the Consultation Paper on Natural Resources can be viewed from the link below:

<https://www.ifac.org/system/files/publications/files/Natural-Resources-CP.pdf>

The detail can be viewed from the link below:

<https://www.ipsasb.org/news-events/2022-05/ipsasb-launches-consultation-paper-accounting-natural-resources>

New IAASB Fact Sheet Addresses Engagement Team Definition

To help users of its standards adapt to the clarified and updated definition of “engagement team”, the International Auditing and Assurance Standards Board (IAASB) has released a Fact Sheet. The new fact sheet addresses the clarified definition and its possible impacts, including recognition that engagement teams may be organized in a variety of ways, including across different locations or by the activity they are performing. The fact sheet also includes a diagram that walks users through who specifically is included and excluded. This new engagement team definition applies to the International Standards on Auditing and International Standards on Quality Management.

The detail can be viewed from the link below:

<https://www.iaasb.org/news-events/2022-05/new-iaasb-fact-sheet-addresses-engagement-team-definition>

IAASB Issues New Non-Authoritative Guidance on Fraud in An Audit of Financial Statements

The International Auditing and Assurance Standards Board (IAASB) has released non-authoritative guidance,



The Fraud Lens – Interactions Between ISA 240 and Other ISAs. The guidance illustrates the relationship and linkages between International Standard on Auditing (ISA) 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, and other ISAs when planning and performing an audit engagement and reporting thereon. The detail can be viewed from the link below:

<https://www.iaasb.org/news-events/2022-05/iaasb-issues-new-non-authoritative-guidance-fraud-audit-financial-statements>

IPSASB Issues IPSAS 44, Non-Current Assets Held for Sale and Discontinued Operations

The International Public Sector Accounting Standards Board has issued International Public Sector Accounting Standard (IPSAS) 44, *Non-current Assets Held for Sale and Discontinued Operations*. The detail can be viewed from the link below:

<https://www.ipsasb.org/news-events/2022-05/ipsasb-issues-ipsas-44-non-current-assets-held-sale-and-discontinued-operations>

Advancing Public Sector Sustainability Reporting: IPSASB Launches Global Consultation

In response to stakeholder demand, including from the World Bank, the International Public Sector Accounting Standards Board (IPSASB) launched a global consultation on developing a sustainability reporting framework for the public sector. To kick-off the discussion, the IPSASB has issued its Consultation Paper, Advancing Public Sector Sustainability Reporting. Comments are requested by September 9, 2022. The detail can be viewed from the link below:

<https://www.ipsasb.org/news-events/2022-05/advancing-public-sector-sustainability-reporting-ipsasb-launches-global-consultation>

CPA Canada, ICAS, IESBA and IFAC Release Fourth and Final Publication in Series

Exploring Ethics in an Era of Complexity and Digital Change

The current environment of rapid technological change continues to impact the way organizations operate, presenting both opportunities and challenges. The accountancy profession is not immune to this disruption and is also in the process of being transformed. This is according to a new thought leadership publication developed by the Chartered Professional Accountants of Canada (CPA Canada), the Institute of Chartered Accountants of Scotland (ICAS), the International Ethics Standards Board for Accountants (IESBA), and the International Federation of Accountants (IFAC). The publication highlights the need for the profession to redefine its value proposition, build new skills for the future and complete a competence paradigm shift in order to remain relevant. The publication is available on the IFAC Knowledge Gateway and the IESBA's webpage Technology: Ethics & Independence Considerations. The detail can be viewed from the link below:

<https://www.ifac.org/news-events/2022-04/cpa-canada-icas-iesba-and-ifac-release-fourth-and-final-publication-series-exploring-ethics-era>

IFAC and ICAEW Highlight the Tools Accountants Can Use to Fight Money Laundering in Latest Installment of Collaborative Thought Leadership Series

Together with The Institute of Chartered Accountants in England and Wales (ICAEW), The International Federation of Accountants (IFAC) has released the latest installment in its Anti-Money Laundering: The Basics educational series: Installment Nine: Tools to Fight Back. The publication is part of a series helping accountants enhance their understanding of how money laundering works, the risks they face, and what they can do to mitigate these risks and make a positive contribution to the public interest. Installment nine examines the tools professional accountants have at their disposal to address money laundering once it's suspected. The detail can be viewed from the link below:



<https://www.ifac.org/news-events/2022-04/ifac-and-icaew-highlight-tools-accountants-can-use-fight-money-laundering-latest-installment>

IAASB Modernizes its Standard for Group Audits in Support of Audit Quality

The International Auditing and Assurance Standards Board (IAASB) has released International Standard on Auditing (ISA) 600 (Revised). The revised standard addresses special considerations that apply to audits of group financial statements (group audits). Group audits are often more complex and challenging than single-entity audits because a group may have many entities or business units across multiple jurisdictions, and component auditors may be involved. The revised standard becomes effective for audits of group financial statements for periods beginning on or after December 15, 2023. The detail can be viewed from the link below:

<https://www.iaasb.org/news-events/2022-04/iaasb-modernizes-its-standard-group-audits-support-audit-quality>

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To Access the Exposure Draft, [please click here](#).

For Login/Register to submit the comment letter, [please click here](#).

For further details, [please click here](#).

Exposure Draft and comment letters: Climate-related Disclosures

The International Sustainability Standards Board (ISSB) has published the Exposure Draft IFRS S2 Climate-related Disclosures (Climate Exposure Draft) builds upon the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and incorporates industry-based disclosure requirements derived from SASB Standards. The Climate Exposure Draft is open for comment until 29 July 2022.

To Access the Exposure Draft, [please click here](#).

For Login/Register to submit the comment letter, [please click here](#).

For further details, [please click here](#).



Glimpse of Major Activities in FY 2021-22



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Council is the Governing Body of the Institute and provides leadership and direction to achieve strategic objectives and goals.

Council of the Institute is constituted as per provisions of Nepal Chartered Accountants Act, 1997. Of the total seventeen Members, ten are elected from Chartered Accountant Members, four from Registered Auditor Members and three are nominated by the Government of Nepal. The Council is elected every three years. The President and Vice President are elected from the Fellow Chartered Accountant Members of the Council for the period of one year. The Council is led by the President and the Council collectively provides leadership and direction to the Institute. The Council is conferred by the Statute to exercise all the powers and perform all the duties laid in the incorporating Act for attainment of the objectives of the Institute. The Council is responsible for monitoring and managing all the acts and actions of the Institute.

The composition of First Tenure (FY 2021/22) of the Ninth Council has been presented as belows:

Council Members



CA. Yuddha Raj Oli
President



CA. Bhaskar Singh Lala
Vice President



CA. Santosh Kafle
Council Member



CA. Chhetra Gopal Pradhan
Council Member



CA. Sujana Kumar Kafle
Council Member



CA. Surendra Shrestha
Council Member



CA. Ram Chandra Khanal
Council Member



CA. Sujana Shrestha
Council Member



CA. Peeyush Anand
Council Member



CA. Prabin Kumar Jha
Council Member



RA. Posh Raj Nepal
Council Member



RA. Bhola Nath Pathak
Council Member



RA. Shankar Gyawali
Council Member



RA. Kesh Bahadur K.C.
Council Member



Mr. Baikuntha Bahadur Adhikari
Council Member



Mr. Baburam Subedi
Council Member



Mr. Umakanta Acharya
Council Member



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Fundamental Principles of Professional Accountants

INTEGRITY

OBJECTIVITY

PROFESSIONAL
COMPETENCE
AND DUE CARE

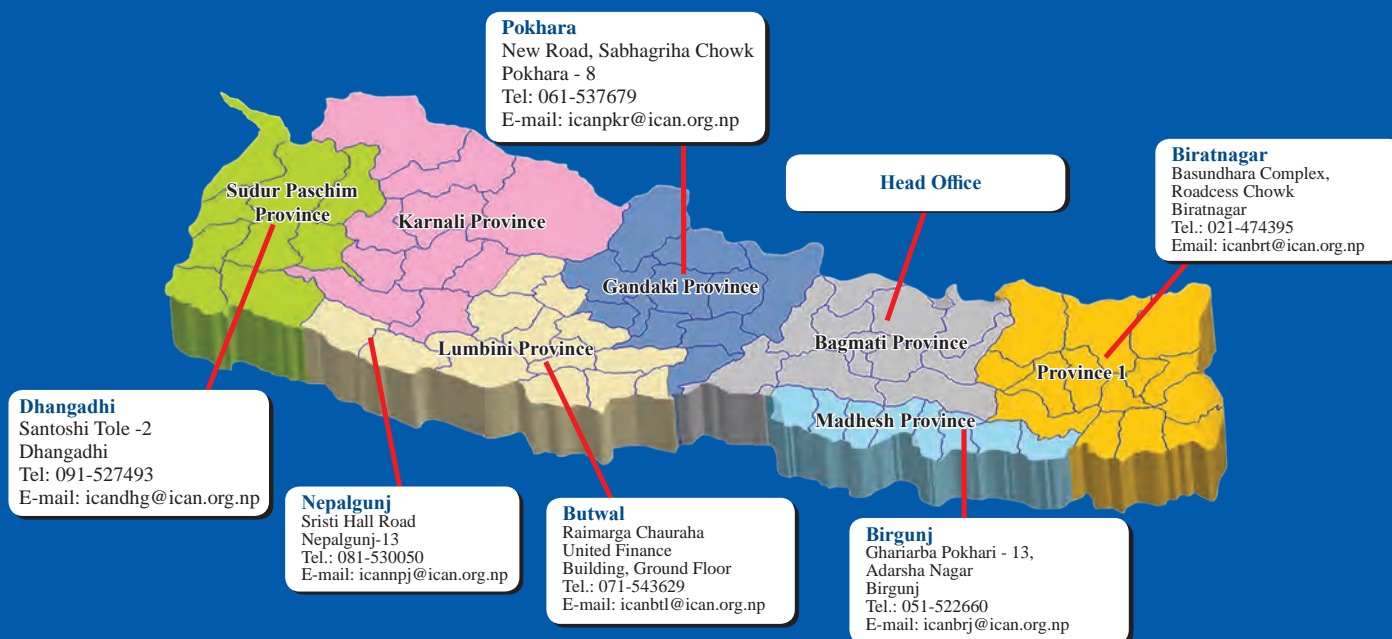
CONFIDENTIALITY

PROFESSIONAL BEHAVIOR



नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL
(Established under the Nepal Chartered Accountants Act, 1997)

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