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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL

27 years

UPHOLDING PUBLIC INTEREST

नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL

(Established under the Nepal Chartered Accountants Act, 1997)

Fundamental Principles of Professional Accountants

INTEGRITY

OBJECTIVITY

PROFESSIONAL COMPETENCE AND DUE CARE

CONFIDENTIALITY

PROFESSIONAL BEHAVIOR

Strategic Direction of ICAN

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Editorial

Small and Medium Sized Practices (SMPs) - Practice Management: Challenges and Way Forward

Where the accountancy profession is concerned, 2024 will be a year of transformation as SME and SMP have to mandatorily embrace Nepal Financial Reporting Standard for Small And Medium-Sized Entities (NFRS For SMEs) 2017. Apart from moving to new set of standards, the challenges of posed by disruption in the digital world, especially blockchain, cloud, artificial intelligence etc., have overwhelmed the audit and accountancy landscape. It is high time for SMPs to improve their resilience, efficiency and competitiveness and evolved to value-adding and to practice value pricing, rather than simply offering commoditized compliance services.

There is no uniform definition of SMPs. The International Federation of Accountants (IFAC) has defined SMPs as practices which comprises of Small and Medium Sized Entities (SMEs) as most of their clients and uses external sources to supplement limited in-house technical resources and employ a limited number of professional staffs. Even though SMEs and SMPs are small in size, research indicates that more than 95% of enterprises across the world are SMEs, accounting for approximately 60% of private sector employment and contributing significantly to countries' Gross Domestic Product (GDP). SMEs are crucial to the health, stability, and sustainable economic growth of both developed and developing economies.

Looking at the demography of practicing audit firms in Nepal, there are 717 CA firms and 2,689 RA firms that include 3,292 proprietorship and 114 partnership firms as of December end, 2023. The partnership firm having six partners is a meager 1 percent whereas 70 percent firms have two partners. The majority of the firms are running under sole proprietorship model. Most of the clients of audit firms are also small and very few have medium sized client or large Company audits. The IFAC Global SMP Survey 2018, has identified top four global challenges of SMPs globally, out of which 48% of SMPs force pressure to lower fees, 46% faces differentiating from competitors, 46% faces challenges to attract new clients and retain existing clients and 45% find challenges to keep up with regulation and standards. SMPs in Nepal are also facing similar challenges. Most of the sole practitioners and other small audit firms are faced with operational challenges in practice and as a result the quality of services to their client suffers. This is also evidenced by the results of quality assurance review conducted by the Institute which highlighted lack of proper audit documentation, audit program and methodologies, excessive dependence on articled students, limited qualified staff as the major challenges faced by SMPs.

The onus to tide over this period of change and turbulence lies both with the Institute of Chartered Accountants of Nepal and SMPs. This symbiotic relationship demands proactivity on both sides. Above all, SMPs must upskill their competencies, both technical and analytical, and especially their soft skills such as communications, networking and leadership. IFAC has issued the Guide to Practice Management for SMPs in May 2018 which provides SMPs practice management principles and best practice guidance on topics, including: strategic planning, managing staff, client relationship management, and succession planning. Moreover, SMP's need to seek out new markets, invest in technology, Continuing Professional Education participation and capacity building activities. SMPs shall strive for growth by exploring avenues of enhanced partnership within the profession.

The Institute is also aware of the proactive role it should play in anticipating and understanding evolutions in the accountancy profession and support SMPs in obtaining and/or developing the skills needed not only currently but also in the future, to meet the ever-changing expectations/needs of their clients. The Institute will leave no stone unturned to support for the success of future of SMPs especially through guidelines, tools and networking opportunities and other measures.

From The President

CA. Sujan Kumar Kafle
President, ICAN

Dear Esteemed Professional Colleagues,

It is my pleasure to acknowledge the 2nd edition (December 2023) of the Nepal Chartered Accountants Journal for the year 2023/24. It is evident that the Journal is a valuable resource, filled with enlightening articles that contribute significantly to the professional development and knowledge enrichment of the members. Additionally, it is my duty to provide timely updates and relevant information to the entire membership with regards to various events of the Institute that took place in last three months from October to December 2023. The Institute is doing its best to enhance the Member Services by conducting CPEs, seminars, updating them with regards to accounting and auditing standards as well as new changes in professional matters to improve the level of services they provide to their clients and safeguarding the public interest.

Regulation and Supervision

The Institute has envisioned the development of an independent and transparent self-regulatory mechanism for enhancing the reputation of the profession in public and government sectors. Hence, the regulatory and supervisory apparatus that includes Disciplinary Committee and Quality Assurance Board of the Institute have been undertaking their operations with greater priority and effectively.

The Council of the Institute has forwarded the Nepal Chartered Accountants Regulation, 2080 to the Ministry of Finance for approval as the current Nepal Chartered Accountants Regulation, 2061 was approved in 2061 with twelve amendments. It is also being felt that the extant Nepal Chartered Accountant Act, 2053 which is almost 27 years old that also requires to be repealed by new Act accommodating new provisions covering the contemporary developments emerged in the accounting landscape for the effective operation and delivery of the mandate of the Institute. In the view point, the Institute has also undergone process for reviewing the Nepal Chartered Accountants Act, 2053 to ensure its continuous relevance to the need of profession.

Considering the relevance of audit fee for audit practitioners and stakeholders, during the second quarter of this fiscal year, Institute held a discussion with the representatives from ACAN and AuDAN on proposed draft for making the first amendments to the Firm Standard and Minimum Fee Directives 2078, which is expected to be updated by the end of current fiscal year and effective from the upcoming fiscal year beginning from July 2024. Likewise, a meeting of ICAN Council and Standard Implementation Review Committee was held with the members of the Auditing Standards Board of Nepal to discuss on the issuance and effective implementation of the revised auditing standards prepared by AuSB in line with the International Standards on Auditing (ISA) Handbook 2021 thereby, the Institute is under consideration for the pronouncement of NSA 2021 developed by the AuSB Nepal.

Besides, the Institute has mandated the submission of biometrics for all the members of the Institute and I hope this will be helpful in maintaining updated database of the members of the Institute and expected to add value in various digital service delivery initiatives of the Institute amongst the members.

Professional Development

Strengthening members' capabilities and competencies through regular training and development programs has been the guiding principle of the Institute. In recent period, the Institute in technical collaboration with the Institute of Chartered Accountants of India (ICAI) organized one online certification course on ISA as a post qualification course for CA Members and one five-days online comprehensive training on Valuation and Valuation Standards which was participated by around 400 members of the Institute. The "International Accounting Day" celebration was marked on 10th November 2023 by organizing various programs at Kathmandu and branch offices of the Institute. Altogether, three physical Continuing Professional Education (CPE) program were organized in Kathmandu and Nepalgunj.

Education

The process for upgrading the Chartered Accountancy syllabus in accordance with the International Education Standards issued by International Education Standard Board of IFAC has been expedited. Further the Institute has been uninterruptedly conducted the routine examination and published result of CA Examination. A total of 40 examinees qualified in the Membership Examination September 2023-

Over the period, the Institute has been organizing various program and facilitating student's participation at various international forums with the objective to stimulate students towards accounting profession and create environment for exploring the student's potentialities at national and international levels, During the period under consideration, the Institute has organized ICAN Quiz and Elocution Contest, 2023 at ICAN Head Office, Satdobato, Lalitpur. Moreover, two students from the Institute participated in the International Students' Conference on "Impact of Technology and AI in Accounting Profession" organized by CMA Sri Lanka and International Students' Conference on "Embracing Artificial Intelligence" organized by Northern Regional Committee of ICAP.

National Relation: Public and Government

The Institute prospers to lead and engage in the policy reform process of the government by speaking on areas where the profession's expertise is highly relevant. In recent period, I along with Vice-President attended meetings with the officials at the Inland Revenue Department and Chairman of Committee formed by Government of Nepal to Review Tax Regime in Nepal. The Institute has signed a Memorandum of Understanding (MoU) for Technical Collaboration with the Office of Company Registrar (OCR) with the objective to enhance the regulatory mechanism and to explore the areas of cooperation for exchange expertise between the organizations.

International Relation: Global Positioning and Leadership

With the intention of creating global opportunities and recognition for ICAN members, the delegation led by me that included the Vice-President and Executive Director has a courtesy meeting with His Excellency Ambassador of the UAE in Kathmandu. During the period, I also led the delegation that participated in the CAPA Members Meeting and CA Sri Lanka Conference whereby made a presentation on the topic "Future of the Profession-Challenges and Solutions". Similarly, a delegation led by me participated in the Global Professional Accountants Convention organized by ICAI in Gujarat, India. Likewise, I also attended IFAC ordinary Council meeting held in Vienna, Austria and represent the Institute as a panelist in the technical session on "Redefining Financial Oversight in A Digital Age" at the 48th EIRC regional conference on theme "Capacity" held in Kolkota, India.

I am also thrilled to share that CA. Yuddha Raj Oli, Past President and Council Members have been elected Board Member of CAPA for 2023-2027. I extend my best wishes for success in his future endeavors as CAPA Board Member.

Institutional Development and Sustainability

The Institute's operations are guided as per the activities laid down in the strategic plan and annual budget of the Institute. The Institute with an objective to discuss and brainstorm on the long-term digital roadmap of the Institute organized Workshop on Digital Roadmap of ICAN, the feedback received in the workshop will be considered valuable in drafting the Digital roadmap initiatives in the upcoming Strategic Plan of the Institute.

Concluding Remarks,

As the Institute prepares to mark its 27th anniversary on 31st January 2024, it is a fitting occasion to celebrate the accomplishments, growth and impact it has had on the accounting landscape. I join you in encouraging all members to uphold the highest standards of professional conduct and ethics. The reputation of this noble profession relies heavily on the ethical behavior and integrity of its practitioners.

With Best Wishes

CA. Sujan Kumar Kafle,
27th President (2023/24)
The Institute of Chartered Accountants of Nepal

Tokenomics and Taxation: Navigating the Tax Implications of Tokenized Assets

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Advocate at Supreme Court of Nepal, Assistant Professor and Chief of Student Welfare at Nepal Law Campus, Tribhuvan University,
Former Lecturer of Nepal Open University.

Abstract:

Tokenomics refers to the design of cryptographic tokens to incentivize behaviors in blockchain networks. The rapid growth of tokenized assets like crypto currencies and Non-fungible Token (NFTs) raises pressing questions around their taxation. This article explores the tax implications of various token types including utility tokens, security tokens and stable coins. It finds that most jurisdictions treat such crypto assets as property, subject to capital gains tax whenever sold, exchanged or used to purchase goods/services. However, many open questions remain around taxing activities like staking rewards, forked coins or NFT sales. The article discusses five key factors that determine tax liability: residency, nature of holdings, timing, valuation and compliance. It highlights country-specific tax treatments and planning strategies investors can adopt to optimize taxes. Through case studies and analysis of future trends, the article demonstrates the complex, evolving landscape around cryptotaxation. As decentralized systems challenge traditional taxation models, regulators worldwide are stepping up enforcement activities around crypto tax reporting and payment obligations. The article concludes that while tokenization is groundbreaking, a conservative approach to crypto taxes focused on documentation, planning and compliance is vital currently.

Keywords:

Tokenomics, cryptography, cryptocurrency, Bitcoin, Ethereum, blockchain, tokenized assets, utility tokens, security tokens, stablecoins, non-fungible tokens (NFTs), initial coin offerings (ICOs), crypto taxation, capital gains tax, tax implications, tax liability, tax basis, tax residence, tax planning, tax compliance, tax enforcement, decentralized autonomous organizations (DAOs), regulatory compliance, global regulations, international tax arbitrage, OECD, web3, metaverse.

I. Introduction:

Tokenomics, a blend of "token" and "economics," encompasses the factors that determine the value and appeal of a cryptocurrency to investors. It encompasses everything from token supply and issuance mechanisms to the token's utility and applications[1]. Tokenomics refers to the strategic design and methodical implementation of cryptographic digital tokens in order to incentivize desired behaviors within a blockchain-based decentralized network. As the pioneering cryptocurrencies Bitcoin and Ethereum gained meteoric rise in popularity and market value, this has fueled a proliferating wave of innovation in tokenized assets leveraging blockchain technology. Entire new economic models continue to emerge - from decentralized finance (DeFi[2])

1 Stevens, R. (2022, November 11). What is tokenomics and why is it important?. CoinDesk. Retrieved From: https://www.coindesk.com/learn/what-is-tokenomics-and-why-is-it-important (Accessed on 27 November, 2023)

2 DeFi (decentralized finance) is an um-

protocols to non-fungible token (NFT) marketplaces and Web3 ventures - all fueled by carefully engineered tokenomics schemes. However, the advent of these digitally tokenized assets raises critical questions around how they should be classified and taxed by governmental authorities. Unlike fiat currencies that have clear tax regimes, these programmable tokenized assets which can represent utility, securities, identities, deeds, intellectual creations or even fractionalized physical property ownership, confound traditional categorization. As global regulators scramble to formulate policy guidance, taxation of crypto-assets continues to be a complex and still rapidly evolving topic.

This article aims to provide a high-level conceptual overview of how tokenomics works - namely by algorithmically controlling scarcity, distribution schedules, built-in incentives and other variables that influence participant behaviors in cryptoeconomic networks. It further explores some of the distinct tax considerations applicable to major categories of tokenized assets including cryptocurrencies, stablecoins, security tokens, utility tokens and non-fungible tokens. Country-specific tax treatments and planning strategies are presented along with relevant case studies concerning crypto taxation. The article concludes by highlighting open challenges and projected future trends that policymakers, tax authorities and participants in this burgeoning token-driven economy will need to grapple with. For holders of these digitally engineered assets, navigating the current unsettled landscape prudently requires foundational knowledge of tokenomic designs, careful analysis of one's specific holdings and activities, and - when in significant doubt - consultation with professional advisors well-versed in cryptotax matters.

II. Tokenomics: A Brief Overview:

At its core, tokenomics refers to the strategic design and programmatic implementation of digital tokens to algorithmically control various functions like issuance schedules, distribution mechanisms, access rights, and incentive structures within a blockchain-based decentralized network. For example, popular cryptocurrency networks like Bitcoin and Ethereum have native protocol tokens (BTC and ETH) that are algorithmically released to distributed miners as rewards for expending computing power to verify and validate transactions on these networks. The predictable issuance and distribution of these tokens serves to incentivize miners to keep securing the network, thereby enabling durability and growth. Many new blockchain projects also develop and distribute their own native utility or governance tokens, often distributing an initial supply of tokens to the public through an "Initial Coin Offering" (ICO). This helps bootstrap a network by providing capital funding upfront while incentivizing an early community of users to participate in the network.

There are also non-fungible token (NFT) schemes that allow for unique digital assets like artwork, music, videos, or virtual real estate to be represented by verifiable tokens tracked on a blockchain. These tokenize real-world assets by proving digital ownership, scarcity and provenance.

Broadly, the core functionalities of thoughtfully designed tokenomics schemes are to:

1) Raise capital funding by distributing tokens in

brella term for peer-to-peer financial services on public blockchains, primarily Ethereum.

public or private sales

2) Incentivize behaviors like mining, governance participation etc. that help grow the network

3) Enable access to utilities like executing transactions, utilizing services, voting rights by unlocking privileges for token holders

Whenever these blockchain-based tokens are sold, traded, exchanged for other assets (including fiat currency), or used to purchase goods or services, tax liabilities are often triggered. Therefore, from a taxation standpoint, properly tracking and reporting token transactions is essential.

III. Tokenized Assets and Taxation:

Tokenized blockchain-based assets come in a variety of forms, each with distinct structures and tax considerations. Popular cryptocurrencies like Bitcoin and Ethereum are treated as property by the Internal Revenue Service (IRS) in the US, meaning capital gains taxes apply when they are disposed by selling or trading. Bitcoin, a digital currency devoid of central authority, emerged in January 2009, pioneered by the enigmatic Satoshi Nakamoto[3]. However, many open questions around income recognition remain unsettled for new activities like staking rewards and airdrops arising on these networks. Then there are utility tokens and governance tokens that power new decentralized networks and applications. These grant access rights and enable participation in protocol governance processes. Taxation here depends on whether the predominance of rights they offer are deemed to be "utility" like consumption/access or could constitute more securities-like rights to potential earnings and profits. There is considerable subjectivity in evaluating such utility vs security classification from a tax authority's standpoint. Non-fungible tokens (NFTs) represent unique tokenized digital assets like artwork, collectibles, music, videos and more. As with conventional art, taxation of profits around NFTs is unclear - such as when price appreciation should be realized, how tax basis and holding periods should be tracked as assets get resold manifold times across secondary markets domestically and globally. Another class of tokens are blockchain-based security tokens that intentionally represent ownership rights to underlying assets like equity, bonds, derivatives contracts, real estate or investment funds. These are designed to be regulatory compliant from inception. Consequently, applicable taxes on interest, dividends, or capital gains from security token transactions may apply akin to their traditional equivalents under securities tax law.

Finally, fiat-pegged stablecoins, which are designed to hold parity value with real currencies, cause tax friction due to theirfrequent trading, lending and yield-optimization across decentralized finance (DeFi) protocols. Any profit opportunities from arbitrage or slight deviations in pegged prices, translate to taxable capital gains. Broadly across jurisdictions worldwide, most countries treat cryptocurrencies and other tokenized assets favorably as property for tax purposes while others deem it currency or securities - each with vastly different policy and tax outcomes. But overall regulatory uncertainty looms large given most existing tax codes predate the reality of algorithmically programmable digital asset protocols underpinning modern tokenization schemes and blockchain economies.

IV. Navigating Tax Implications:

There are five main factors that determine the taxes applicable to blockchain-based tokenized assets:

1. **Tax Residency** - The country where one is considered a tax resident based on criteria like citizenship or days spent, determines the jurisdiction and tax authority entitled to tax one's worldwide crypto holdings and activities.

2. **Nature of Holdings** - The precise type of token whether fungible cryptocurrency, utility token, security token or non-fungible asset (NFT) affects its tax classification and applicable rates. For instance, securities tokens may trigger income tax on staking interests or dividends, unlike capital gains for non-security crypto.

3 Reiff, N. (2022, January 31). Bitcoin vs Ethereum: What's the Difference? Retrieved from Investopedia: https://www.investopedia.com/articles/investing/031416/bitcoin-vs-ethereum-driven-different-purposes.asp (Accessed on 27 November, 2023)

3. **Timing** - The exact timing one receives or disposes crypto assets via activities like mining, airdrops, lending across DeFi protocols, or trading on exchanges when prices fluctuate, influences when tax liabilities are incurred. Certain tax strategies rely on timing of recognition events and holding duration thresholds.

4. **Valuation** - Arriving at a reliable valuation and tax basis for crypto holdings is challenging but imperative given the extreme volatility. Valuations vary widely across global exchanges and liquidity conditions affect tradability. Tax obligations are based on fair market values in fiat currency terms on the date when tax trigger events occur.

5. **Compliance** - Properly documenting crypto transactions, disclosing them correctly on tax returns, and paying applicable taxes across tax regimes is compulsory, although compliance mechanisms continue evolving globally. Detailed record keeping of investments in, trades across, and disposals via sales, transfers or settlements from crypto wallets, exchanges and DeFi protocols is advisable to produce upon request.

Given open questions around classifying and valuing various kinds of old and new tokenized asset schemes, plus reconciling them correctly across borders, consultation with professional tax advisors well-versed in crypto-asset taxation can provide reliable guidance to individuals and businesses navigating these challenges.

V. Country-Specific Considerations:

The United States broadly treats cryptocurrencies and tokens as taxable intangible property subject to short-term or long-term capital gains tax depending on the holding period[4]. Rates range from 0% to 20% for long-term gains held over a year and taxed as capital gains. Short term gains under a year are taxed as ordinary income at higher rates up to 37%[5]. Notably, the US lacks clear IRS guidance on taxation of common crypto activities like staking rewards, airdrops or non-fungible tokens. Germany provides a tax exemption for cryptocurrency capital gains held longer than 1 year with no minimum threshold, taxing only short term gains under 1 year at personal income tax rates ranging from 14-45%[6]. The UK treats cryptoassets as property subject to capital gains tax when profits from sale or disposal exceed £12,300 per tax year, with rates ranging from 10% to 20% based on income tax brackets[7]. Australia taxes capital gains from cryptocurrency transactions like Bitcoin at marginal income tax rates without a tax-free threshold or allowance. For salaried employees rates range from 32.5% to 45% while for businesses it is 30%. A key challenge is valuations done in Australian dollar terms. India takes a stringent stance by proposing to tax income from any virtual digital assets including cryptocurrencies and NFTs at a flat 30% rate plus applicable surcharges for amounts over 50 lakhs annually[8]. Deductions or offsetting losses are disallowed encouraging investors to limit exposure.

Asian counties like China and South Korea earlier took strict stances effectively banning crypto trading by citizens to stamp out capital outflows and speculation activity. Selective relaxation of rules to nurture blockchain innovation is being explored. In comparison, Nepal takes a favorable stance by not explicitly regulating cryptocurrencies. Income from crypto investing or mining remains exempt from

4 TokenTax. (2023). Tax Rates for Cryptocurrency. https://tokentax.co/blog/tax-rates-for-cryptocurrency. Retrieved From: https://tokentax.co/blog/tax-rates-for-cryptocurrency (Accessed on 27 November, 2023)

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7 Unbiased. (2023, October 4). UK cryptocurrency tax guide: everything you need to know. Retrieved From: https://www.unbiased.co.uk/discover/personal-finance/savings-investing/uk-cryptocurrency-tax-guide-everything-you-need-to-know (Accessed on 27 November, 2023)

8 Coindcx. (Year, Month Day of publication). Cryptocurrency Tax Guide in India. Coindcx Blog. Retrieved From: https://blog.coindcx.com/blog/cryptocurrency/crypto-tax-guide-india (Accessed on 27 November, 2023)

taxes currently although Anti Money Laundering rules apply indirectly limiting large volume trades. This opens avenues for crypto entrepreneurs and investors provided tracing source of funds used for buying crypto may be required. Overall across major economies, while cryptocurrencies are predominately treated as taxable capital assets, considerable complexity and uncertainty remains around classifying and valuing newer innovations like staking yields, NFT projects or emerging metaverse virtual worlds which blur boundaries. Record keeping and tax reporting disclosures remain critical. Consultation with cross-border tax experts is advisable given gaps, ambiguities and fast changing nature of crypto tax policies across jurisdictions.

VI. Case Studies:

The high-profile "United States v. Coinbase" case[9] in 2016 saw the IRS serve a "John Doe" summons to popular cryptocurrency exchange Coinbase demanding information records of over 500,000 user accounts who conducted transactions worth $20,000 or more during 2013 to 2015. This was an attempt to investigate cases of tax evaders not declaring capital gains from Bitcoin trading. After litigation, Coinbase eventually handed over records of 13,000 "high-transacting" customers to the IRS rather than risk contempt of court. This case highlighted the IRS crackdown on cryptocurrency tax reporting non-compliance. These cases forewarn of harsh fines for non-compliance with crypto tax reporting obligations. These and other cases across jurisdictions signal that tax authorities worldwide ranging from the U.S. Internal Revenue Service (IRS), Is Majesty's Revenue & Customs (HMRC) in the U.K., Australian Taxation Office (ATO) in Australia and Central Bureau of Direct Taxes (CBDT) in India are sharpening their focus considerably on tax reporting and payments related to cryptocurrency trading - regardless of where these new-age global citizens and digital asset investors are domiciled or try to conceal holdings using offshore bank accounts or foreign digital wallets. As trillion-dollar market caps for crypto assets proliferate, governments seek their fair share of tax revenues by compelling disclosures and enforcing compliance to the fullest extent possible under existing regulations.

VII. Future Trends and Challenges:

Looking ahead, innovations like decentralized autonomous organizations (DAOs), Web3 platforms and metaverse virtual worlds built using programmable tokenization schemes are set to raise entirely new questions, ambiguities and complexities around taxation of crypto transactions as well as quantifying value creation in such tokenized ecosystems. DAOs which are leaderless member-owned communities with rules encoded transparently can steward decentralized networks. As they take root, taxation complexities around accurately tracking and attributing multisig wallet activities across borders will multiply. Similarly, with entire virtual economies emerging within metaverses and Web3 interfaces enabling new creator monetization schemes, questions on taxing events triggered by exchanging tokenized assets and cryptocurrencies between reality and these virtual worlds will arise. Meanwhile tax authorities are seen upgrading databases and acquiring sophisticated blockchain analytics tools to increase surveillance of crypto tax compliance by closely tracking holdings and transactions across centralized exchanges as well as DeFi protocols in a bid to connect identity dots. However, inherent privacy-preserving cryptocurrencies like Monero which rely on untraceable digital signatures will continue challenging attempts to trace coin ownership back to individuals or entities at scale. As multilateral bodies like the Organization for Economic Cooperation & Development (OECD) continue pushing for a globally harmonized minimum corporate tax rate of 15%, jurisdiction shopping by crypto investors and businesses to light touch tax regimes may decline but not vanish since traces can still be effectively anonymized. While new crypto asset product classes keep proliferating in sophistication and embedded programmability, most existing legal statutes and tax codes struggle to keep pace with classifying and clarifying policy in an appropriately scoped manner. Consequently, more rigorous tax enforcement activities as well as landmark legal cases that serve to establish precedents on crypto tax matters lie ahead. This is inevitable as governments seek their

9 United States v. Coinbase, Inc., Case No. 17-cv-01431-JSC (N.D. Cal. Nov. 28, 2017)

fair share of tax revenues stemming from ownership, yield generation, and value transfers involving rapidly ballooning multi-trillion dollar cryptocurrency markets.

VIII. Conclusion:

In conclusion, while innovations in tokenization and blockchain technology hold great promise to revolutionize finance, they also introduce significant tax complications that investors and holders of these emerging crypto assets must navigate very carefully. Stringent record-keeping, thorough documentation and prudent upfront tax planning are highly advisable for all participants given the intense scrutiny and enforcement efforts underway from tax agencies worldwide. With astronomical trillion-dollar market caps now prevalent across cryptocurrency markets, hard questions around effectively enforcing fair taxation of certain decentralized activities with built-in transactional anonymity are likely to trigger more complex legal investigative battles between regulators and privacy-centric protocols. As regulatory clarity continues evolving in fits and starts across various jurisdictions, staying regularly abreast of the latest developments and policy pronouncements with the help of professional tax advisors well-versed in crypto asset matters is key. Meticulous compliance is mandatory despite technological disruption. From Nepal's perspective, while no comprehensive regulatory framework currently governs cryptocurrencies or blockchain networks directly, existing laws concerning sources of funds, banking transactions, foreign exchange controls and anti-money laundering protocols apply indirectly to large volume traders. As crypto asset adoption surges, clear policy guiding taxation of income from activities like mining or crypto investing is anticipated from Nepal Rastra Bank and Inland Revenue Department. For now, a prudent conservative approach focused on voluntary compliance is recommended rather than possible exploitation of apparent grey areas or lax enforcement. In summary, although tokenization schemes can be revolutionary both in design and impact across financial sectors, when it comes to meeting attendant crypto tax obligations, a conservative stance embracing compliance, transparency and collaboration with authorities is strongly advised in these formative years as decentralized technologies transition towards mainstream acceptance.

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Determinants of Statutory Audit Fee of Insurance Companies in Nepal

CA. Sunil Devkota

Sunil Devkota is a practicing Fellow Chartered Accountant member of the Institute of Chartered Accountants of Nepal. He is a PhD scholar and undergoing PhD with LIGS University, Hawaii, USA. He can be reached at devkotasunil@gmail.com.

Abstract

This study endeavored to identify the factors relevant for determining the statutory audit fee to the insurance companies in Nepal which has not been studied so far. Previous research undertaken in this subject has identified various variables affecting the determination of the audit fee ranging from the size of the company, profitability, number of subsidiaries, auditors experience, managerial representation etc to name a few. However, this study has considered turnover of the company among other few variables due to the reason that the minimum audit fee guidelines issued by the Institute of Chartered Accountants of Nepal to its members has recommended audit fee based on the turnover of the Company.

A deductive approach was used in the study. Data was collected from the annual reports of life and non-life insurance companies for the last 2 years, i.e, the date from which the minimum fee guidelines were to be implemented. Among the 28 companies affiliated with the Nepal Insurance Authority, data was collected from 24 companies as data were not available for the other companies and the response rate was 85.71%. Linear regression model was used to test the hypothesis. The R square of the model was 0.806 which signified that 80.6% of the variations of audit fees are explainable by the model studied. The model is statistically significant as the F-statistic value was 19.948 with p-value (sig) of 0.000 and can be relied on to predict audit prices. The findings of the study proved that log of turnover of the company, return on total assets and auditor's experience are important factors in determining audit fees for Nepalese insurance companies. However, the number of branches to be audited and profitability of the companies do not have any relationship with the statutory audit fees.

Keywords: Audit fees, turnover, profitability, auditor experience, insurance companies.

Introduction

All the registered companies have statutory obligation to report their annual transaction to the stakeholders, tax authorities and the related government offices each year. The process of certifying the annual financial statement is called the audit. In Nepal, the members of the Institute of Chartered Accountants of Nepal issued certificate of practice (COP) for undertaking the audit. The auditor is primarily responsible for expressing audit opinion on whether the financial statements i.e. balance sheet, profit and loss account, cash flows and changes in equity of the related firm give a true and fair view of the financial position, operation during the period.

The auditors certify the financial statements of the companies and as a remuneration for service rendered, they get audit fees. Though there is no standard rule for quantifying the audit fee to be charged for audit of companies, the audit fee should be at a level for the audit firm for covering its human resources, quality maintenance, and other operating expenses of the firm. In Nepal, the Institute of Chartered Accountants of Nepal have recently come up with a recommendation paper for its members for the minimum audit fee for the companies/firms based on the annual turnover or other financial information. The paper has also recommended procedure for computation of the audit fee based on the nature and expertise of the manpower involved which must be considered for the determination of the audit fee. A low level of audit fee can restrain audit firms for delivering quality services. The variation of the audit fee and the reason generally attributed to low level of audit fee is that the auditee considers the audit as a pure compliance exercise. (Izma, 2011).

Motivation for Undertaking the Study

The Institute of Chartered Accountants of Nepal recently invited its members for discussion on whether its recommendation for minimum audit fee has been complied with or not in the case of public companies and noted instances of non-compliance by few members.

Leaving aside the guidelines issued by the Institute, the determinants of the audit fee are a matter of concern for all the practicing members of ICAN, the clients and other stakeholders. The determinants of audit fees and the significance of certain variables, vary as per the characteristics of each country (Hay, Knechel, & Wong, 2006) and the authors recommend that periodical revision of the models is required. In the context of Nepal, there have been significant changes in the economic variables, especially in the context of accounting and auditing scenario and the role of auditors in enhancing the quality of audit as well as the credibility of financial statements has been a burning issue, hence, research of the determinants of audit fees warrants further research.

The findings from this study may be useful to regulators, as well as practitioners and academics in various ways. For example, regulators and practitioners need to be aware of the factors affecting audit fees and audit markets. Academics need to understand the importance of audit fees in improving the financial transparency of the firm and audit quality and this study may help on some of these dimensions.

The Accounting and Auditing Practices in Nepal

The Companies Act, 2063 governs the formation of Nepalese companies. The Act details the roles and responsibilities of directors and shareholders and specifies the requirements of preparation of the financial statements and their audit. Under Section 110 of the Act, every company is required to appoint an auditor to have its accounts audited and Section 111 specifies that the auditor shall be appointed from amongst the auditors licensed to carry out audits under the prevailing laws.

The accounting standards to be followed for the preparation of financial statements is guided by the standards issued by the Accounting Standards Board of Nepal. The Accounting Standards Board was formed by the Government of Nepal on July 08, 2002 (2059 Ashad 24) with an amendment to the Nepal Chartered Accountants Act, 1997 (first amendment, 2002) 15ka incorporating the provision for its establishment and operation and regulates the accounting pronouncements.

The regulation and development of accounting profession is governed by the Institute of Chartered Accountants of Nepal (ICAN) established under the Nepal Chartered Accountants Act, 1997. ICAN is a member of the International Federation of Accountants (IFAC).

Nepal Standards on Auditing, specifying the standards applicable for the audit of financial statement, which are in line with the international practices and all international auditing and ethics standards are in place. Reports and audit procedures performed by the auditors should comply with the Nepal Standards on Auditing, which are in full compliance with the International Standards on Auditing.

The level of audit fees is highly competitive in Nepal, and it is generally low as compared to other SAARC member countries and the reason that may be attributed could be low levels of salary of accountants when compared to other countries in the region. ICAN has recently raised this concern about price-based competition at a time when audit firms are incurring additional costs to meet higher quality standards as follows:

Turnover Amount	Minimum Audit Fee for listed companies
Above 50 Arab	2,000,000
Above 10 Arab	1,000,000
Above 5 Arab	500,000
Above 1 Arab	300,000
Above 60 Crore	200,000
Above 2 Crore	100,000

Numerous studies have been conducted in other countries for determining the factors affecting audit fees and numerous variables have been identified ranging from the client size, quality of assets, profitability of the client, number of transactions, inventory, geographic spread, market capitalization, expertise and size of the audit firm, auditor reputation etc. In the Nepalese perspective, research identifying the determinants of audit fee is less prioritized making this study necessary. Results of the research in the subject in other countries may not be relevant for Nepal as findings from previous research tend to vary across regions. This study seeks to answer the following questions: (i) what are the factors affecting audit fees determination in Nepal? And (ii) what is the correlation between audit fees and the different factors determining audit fees? The study therefore adds to the existing literature on audit fees, as the Nepalese market factors will be known from this study and compared to findings from other regions and countries.

Literature Review

Several factors are reviewed by prior research are reviewed as given below:

Earlier research shows a positive relation between client size and the level of audit fees (Kikhia, 2015); (Wu (Rachel), 2020). The size of the clients is measured in terms of the total assets, sales turnover, number of employees, market capitalization etc however the total assets indicator has been widely used.

In a study on the determinants of the audit fee in Malaysian market, (Joshi, Deshmukh, Nik Salleh, & Jaffar, 2014), concludes that log of sales is positively associated with audit fee, while has a negative relationship with firm's return on assets. The research was undertaken by collecting data from the annual reports of the companies which were analyzed using a multiple regression model. (Otete, 2022) claims that many of the companies are appreciative of the external auditor's work hence accepted audit fees increments whenever the annual revenues of the companies also increased.

(APADORE & LETCHUMANAN, 2016) on their study on determinants of audit fee in listed manufacturing companies in Malaysia, sought to determine the relationship of audit fee to independent variables such as profitability, corporate size, status of audit firm, and audit client risk using multiple regression analysis on the data collected from secondary sources and reached to the conclusion that all the factors have a positive significant relationship with the audit fee.

Experience of the auditor, auditor reputation, client size, client complexity etc. has a positive link with the audit pricing while size of the auditor, client profitability and reporting season has no bearing for the quantification of the audit fee. (Kimeli, 2016). While (Wu (Rachel), 2020) in his study of the Chinese market argues that auditee profitability is positively correlated with the audit fee charged and (Kiptum, 2013) also has the same finding. (Kiptum, 2013) in his study in the context of Kenya asserts that there is a positive relationship between audit fees and the independent variables: auditor experience; auditor reputation; Big 4 status; client size; client complexity and time lag.

Assets (company size) significantly affect audit fees paid by the client to audit firms. Factors viz., profit, business complexity and number of subsidiaries are not significant in determining the audit fee. (Rusmanto & Waworuntu, 2014).

Hypothesis

The research hypothesis are as follows:

Hypothesis 1 : Turnover of the Company is positively related to audit fee charged.

Hypothesis 2 : Return on total assets of the company is positively related to audit fee charges.

Hypothesis 3 : Geographic spread of the company affects the audit fee charges.

Hypothesis 4 : Audit fee is dependent on the years of experience of the auditor.

Methodology

The population of the study are the insurance companies licensed by Nepal Insurance Authority and listed in Nepal Stock Exchange. Data was collected through secondary sources from the published annual reports of the companies on their respective websites. Data was coded for 24 out of the 28 insurance companies (life and general) currently, covering the last two years audited financial statements.

The nature of the data was quantitative and descriptive statics mean and standard deviation was used to present the research findings. Pearson correlation was used to measure the relationship between each two variables (Dependent and Independent). Regression analysis was used to link the relationship between audit fees and their determinants.

Model Specification and Operationalization of Variables

Ln (AF_STAT) =β0+β1(Ln(TURN_ML))+ β2(RET_TA)+ β3(LOC)+ β4(EXP_AUD)+ εi

Where ß0 represents the constant of regression equation for audit fees (statutory audit), β1 to β4 represent the correlation coefficients of the independent variables and εi represents the error term of the model.

Dependent Variable (AF_STAT)

The dependent variable is the natural log of audit fees paid to the statutory auditors for auditing annual accounts.

Independent Variables

The independent variables for the study and their description are mentioned in Table 1.

Table 1: Description of the Independent Variables

Variables	Symbol	Measure
Turnover	TURN_ML	Gross Premium Collected as reported in the Income Statement
Return on Total Assets	RET_TA	Profit after tax as a percentage of Total Assets viz., the total size of the Balance Sheet
Geographic Spread	LOC	Number of branches for the relevant years
Auditor Experience	EXP_AUD	Number of years in practice of the audit firms

Results

Descriptive Statistics

The study evaluated 24 insurance companies out of 28 insurance companies giving a response rate of 85.71%.

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
AF_STAT	48	226000.0	1130000.0	416480.229	190233.5704
TURN_ML	48	667343198.0	32367058650.0	4667441252.3	6535756491.0
RET_TA	48	0.01	0.78	0.539	0.11391
LOC	48	14.0	197.0	84.542	49.0440
EXP_AUD	48	15.0	50.0	27.375	9.2842
Valid N (listwise)	48				

Interpretation: The statutory audit fees (independent variable) paid to auditors show that the mean fees is Rs 416,480, with minimum audit fees was Rs 226,000 and maximum was Rs 1,130,000, for the insurance companies in Nepal in our sample. Descriptive statistics for the independent variables for the companies show that all variables are normally distributed except turnover and statutory audit fee. Because these variables were highly skewed, we applied a logarithmic transformation to reduce its skewness, following prior studies of audit fee determinants. The average turnover of insurance companies was Rs 4,667,441,252 with a minimum of Rs 667,343,198 and a maximum of Rs 3,236,058,650. The mean return on total assets was 5.39%, with a minimum return of 1% and a maximum of 7.8%.

Correlation among Independent Variables

Pearson correlation was used for summarizing the direction and strength of relationship between the independent and the dependent variables. The correlation matrix of the variables in the study is mentioned in Table 3 where the values of 1 indicate correlations between variables themselves.

Table 3: Correlations of the Variables of the Study

	LN_AF_STAT	LN_TURN_ML	RET_TA	LOC	EXP_AUD
LN_AF_STAT	1				
LN_TURN_ML	.706**	1			
RET_TA	-.038	-.355*	1		
LOC	.341*	.602**	-.301*	1	
EXP_AUD	.466**	.242	-.122	-.107	1

***. Correlation is significant at the 0.01 level (1-tailed). *. Correlation is significant at the 0.05 level (1-tailed). The results are based on 48 data points of the research.*

Analysis : Table 3 presents the between dependent and independent variables. A perusal of the correlation matrix depicts that the log of the statutory audit fee has a significant relationship with log of turnover, and experience of the audit firm as the correlation coefficients were 0.706 and 0.466 respectively.

Regression Analysis

Regression analysis was used to analyze the data for 24 companies for two latest years audited and a total of 48 data points were obtained. The regression model summary is presented in Table 4 below and the R square of the model is 0.806 meaning that 80.6% of the variations of audit fees charged is explainable by the variables in the model. Adjusted R square of was 0.650 meaning that 65% of variations could have been explained by the model had the sample been drawn from the whole population.

Table 4. Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.806[a]	.650	.617	.21972
a. Predictors: (Constant), LN_TURN_ ML, EXP_AUD, LOC, RET_TA				

Similarly, the F-statistic value of 21.239 and p-value (sig) of 0.000 in the ANOVA table in Table 5 indicates the model is statistically significant and can be relied on to predict audit fees.

Table 5: ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.852	4	0.963	19.948	.000[a]
Residual		076	2.	43	0.048	
	Total	5.928	47			
a. Predictors: (Constant), LN_TURN_ML, EXP_AUD, LOC, RET_TA						

From the regression model output in Table 6 below, the model is:

Ln (AF_STAT) = 6.560+ 0.271 Ln(TURN_ML)+0.813(RET_TA)+ 0.000LOC + 0.013EXP_AUD+ εi

Table 6: Regression Model Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
B		Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF	
1	(Constant)	6.560	.982		6.683	.000	4.581	8.540		
	LN_TURN_ML	.271	.048	.698	5.600	.000	.173	.369	.524	1.907
	RET_TA	.813	.304	.261	2.675	.011	.200	1.427	.856	1.168
	LOC	0.000	.001	.034	.285	.777	-.002	.002	.559	1.790
	EXP_AUD	.013	.004	.333	3.369	.002	.005	.020	.836	1.197
a. Dependent Variable: LOG_AF_STAT										

Analysis: Table 6 contains the results of regression model in terms of standardize coefficients (Beta), t-values and significant levels. It can be observed that statutory audit fee is positively correlated with turnover, return on total assets and experience of the audit firm while not associated with and number of branches. The significance level of the relationship is established by comparing the p-value with 0.005, if the p-value is less than 0.05, it denotes that the relationship is significant at 95% confidence level. Furthermore, we also examined tolerance value and the variance inflation factor (VIF) to investigate multicollinearity problems. Table 6 also presents the tolerance and the VIF values when all the independent variables are entered in the regression analysis. Results indicate that there were no multicollinearity problems among the explanatory variables.

Analysis of the Results

The results of the analysis show that the audit fee is positively related to the turnover as t=5.600 and $p<0.01$. The findings support earlier result as obtained by (Kikhia, 2015); (Wu (Rachel), 2020); (Joshi, Deshmukh, Nik Salleh, & Jaffar, 2014); (Otete, 2022) in their research. Hence, we confirm hypothesis 1 and conclude that the higher the turnover, the higher statutory audit fees will be paid by the companies to the auditors.

A positive and significant relationship is reported between return on assets (ROA) and the audit fee (t= -2.675 $p<0.05$). This finding is in contrary with the conclusion of (Joshi, Deshmukh, Nik Salleh, & Jaffar, 2014) who argued that large size and profitable companies have well established internal control systems, which reduce the risk as well as the scope of audit work and hence auditors are paid less audit fees when companies are making profits. This accepts hypothesis 2.

Geographic spread, measured in terms of the branches to be audited, is not relevant for determining the audit fee as the results obtained were not significant at 5% level of confidence as the p-value were greater than 0.05. Therefore, this variable is not significant in determination of audit fee in Nepalese insurance industry and confirms the results of the analysis by (Rusmanto & Waworuntu, 2014) which rejected hypothesis 3 and 4.

Further we concur with the finding by (Kiptum, 2013) that the number of years' experience of the audit firm is also positively related with the audit fee and hypothesis 5 is accepted.

Recommendations and Conclusions

The main objective of this study was to test whether the results of the earlier research findings are relevant and applicable to the determination of the audit fees charged in insurance companies of Nepal. The study used data from 24 general and life insurance companies for the earlier two years audited and tested the research hypotheses. The linear regression model as a prominent tool to explain the relationships between the dependent variables and the independent variables was applied for analyzing the data. The findings of the study provide clues on how audit fees are determined in insurance sector of Nepal.

Based on the results of the study I can conclude that client size measured in terms of log of turnover and return on total assets, experience of the auditor measured by the number of years in practice are the important factors determining audit fees for insurance companies.

As a recommendation, ICAN should also consider the factors such as the experience of the auditor and return on total assets of the auditee as determining factors for quoting statutory audit fees and the present reliance placed on the sales turnover may not suffice for determination of the minimum audit fees. Considering the facts which have a positive relationship in determining audit fees, ICAN should suggest the formula. Further it was noted that most companies did not disclose non-audit fees hence ICAN should formulate requirements to ensure that non-audit fees are also disclosed in addition to the audit fees presently being disclosed in the audited financial statement. Non-audit fees pose a serious threat to the professional independence of an auditor especially if an auditor becomes over dependent on such fees.

The study encountered the following limitations. The effect of other macroeconomic factors such as inflation, corporate governance, managerial capability, quality of the manpower employed by the audit firms for the audit etc was overlooked in the study. Lastly, as the research was restricted to the analysis of the insurance companies, audit fees of other industries were not analyzed.

As a recommendation, further studies should be undertaken incorporating the data for other public companies and the effect of macroeconomic factors such as inflation should be studied. Finally, the effect of internal controls, corporate governance etc on audit fees should be studied.

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Nepal Public Sector Accounting Standard (NPSAS): A New Dimension in Financial Reporting

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Abstract

The Government of Nepal implemented the new accounting system in 2018 B.S., aiming to improve financial transparency and accountability. However, the NPSAS was approved in 2066 B.S (2009 AD) and aligned with International Public Sector Accounting Standards (IPSAS) under the cash basis of accounting to enhance the preparation of general-purpose financial statements. IPSAS is a globally recognized general purpose financial reporting framework for the public sector.

The government faced challenges during the initial stage implementation of NPSAS, that include issues with entity mapping, consolidation, and competency of the manpower etc. The International Public Sector Accounting Standards Board (IPSASB) revised IPSAS in 2017 to cope with the challenges identified, which has been implemented in Nepal since 2079 B.S (2022 AD). The benefits of adopting NPSAS include legal compliance, standardization, increased transparency, comparability of financial information, and recognition by international development partners. Thus, the Financial Comptroller General Office (FCGO) has taken initiatives to implement the updated NPSAS Cash Basis, addressing all challenges faced in the earlier version. Recently, various OAG forms have been approved and the federal government and ministries have prepared and submitted consolidated financial statements by applying the NPSAS-based format.

The NPSAS implementation process is still facing many challenges such as defining control, complexities of consolidation, and the need for capacity development. It also requires amendments in legal provisions. Despite challenges, the FCGO has dedicated itself to implement NPSAS. Therefore, short-term and long-term strategies should be formulated for NPSAS implementation, mainly with regard to legal amendments, clarification on requirements for extra-budgetary entities, and capacity development programs. Moreover, commitment, leadership support, and stakeholder collaboration are important for the successful implementation of NPSAS and transition to accrual-based accounting.

1. Introduction

The Government of Nepal adopted a cash basis accounting system in 2018 B.S. (1962 AD), which was also known as New Accounting System. Many accounting forms were designed and approved to facilitate implementation of the system. Despite revising or introducing new forms, the accounting system was not upgraded in the last five decades. As per the accounting system, Government of Nepal (GoN) is required to maintain accounts at central level and operational level. The Financial Comptroller General Office (FCGO) and Ministries maintain a central level account, whereas operational level offices prepare an operational level account. Each and every spending unit prepares a financial statement that presents the amount disbursed and spent to that respective entity under various expenditure heads. However, flow of cash and cash position could not be identified from the statements either at the operational level or central level. The GoN maintains separate subsidiary records of inventory and public property but, not reported neither in financial statement nor in the notes to account. In the international context, many developments have been initiated in the field of accounting. The International Public Sector Accounting Standards Board (IPSASB), which is the independent standard setting board under International Federation of Accountants (IFAC) has developed International Public Sector Accounting Standards (IPSASs) cash basis and accrual, since 1997. However, Nepal initiated the improvement process only in 2009 by issuing Nepal Public Sector Accounting System (NPSAS) Cash Basis in line with IPSAS 2003 and updated in 2007.

The Government of Nepal has decided to implement NPSAS in Bhadra 30, 2066 B.S. (15 September 2009). The objective of NPSAS is to provide a framework to prepare general purpose financial statements under cash basis accounting. In 2017, IPSASB has updated IPSAS cash basis and GoN has decided to implement NPSAS cash basis modified version from Mangsir 20, 2079 B.S. (6 December 2022). It provides information about receipt and payment of cash and cash balance of an entity for a certain period of time, which is useful for accountability and decision-making purposes. Financial statements are understandable, comparable, transparent, complete, neutral, timely and free from material error. As it is a cash basis of accounting, it deals with cash and cash equivalents. On a cash basis, a transaction or event is recognized, when it is received or paid. Financial statements are prepared with information about the sources of cash received during the period and the purposes of cash used. It also includes the cash balances at the reporting date. Cash basis accounting is mainly focused on control of cash, which arises when the entity can use or benefit from the cash. With regards to other various information such as liability, receivable, payable, borrowing, investments, and property, plant, and equipment are disclosed in Notes to the Financial Statement.

2. Historical Background for NPSAS implementation

The FCGO, that maintains basic accounts of the government and has the responsibility to set public sector accounting standards for the GoN. However, it does not have competent manpower to develop accounting standards. Therefore, the FCGO requested the Accounting Standard Board (ASB) established under Nepal Chartered Accountants Act,1997 as an independent standard setting body for the private sector, to formulate Cash Basis NPSAS in line with Cash Basis IPSAS. As per the request from the FCGO, ASB developed Cash Basis NPSAS in 2009 and 2019 (modified version), which were approved by GoN in Bhadra 30, 2066 (15 September 2009). and Mansir 20, 2079 B.S. (6 December 2022) respectively.

The initial decision to implement Cash Basis NPSAS was taken by the government in 2066 B.S (2009 AD). The basic assumption of this standard was to prepare financial statements under cash basis. The concept of controlling and controlled entities was introduced for the first time in Nepal through this standard. As per standard, a controlling entity is an entity that controls another entity, through its power and has a right to involve in benefit and can affect the nature and amount of benefit. Likewise, a controlled entity is an entity that is under the control of a controlling entity. The controlled entities are required to prepare financial statements, whereas, controlling entities are obliged to consolidate the financial statement at ministerial level or government level. It was not effectively implemented due to legal, operational and technological challenges. At the initial stage, OAG forms were not approved to implement NPSAS. Mapping of controlling and controlled entities was challenging. The most important obstacle was to consolidate the receipt and payment of all budgetary, non-budgetary entities and Government Business Enterprises (GBEs). The economic code and accounting system of such entities were not similar. It was difficult to capture third party transactions as well as funds received under foreign assistance. To a large extent, non-availability of information required to disclose the assets and liability of the reporting entity was also a big hurdle for consolidation of accounts. Likewise, the competency level of the manpower involved in accounting service also impeded the implementation process of NPSAS. As a result of which a practice was initiated to hire consultants at Ministry level to prepare NPSAS-based financial statements after the completion of the audit. The preparation of such statements persisted as formality but not used for accountability and decision-making purposes.

Various stakeholders conducted research considering the challenges faced in numbers of jurisdictions. Based on the result of research, IPSASB revised the IPSAS cash basis in 2017. Major changes are recasting of information about external assistance from mandatory to encouragement, if they are not received as cash, removing GBEs from the requirement to be consolidated, disclosing information of external assistance and payment made by third parties other than cash in notes to financial statements. Such modification eases the process of mapping and consolidation. The updated version has provided certain flexibility to adopt full consolidation and perfect elimination.

3. Benefits of NPSAS Adoption

Auditor General of Nepal frequently raised the qualification that the financial statement submitted for audit does not present true and fair view of the operation of the GoN. Similarly, various development partners were also suggesting GoN to comply Cash Basis NPSAS. The current accounting system adopted by GoN was not transparent and internationally recognized. Thus, full adoption of NPSAS is indispensable to the GoN. Some of the major benefits that can be derived after adopting NPSAS are given as follows:

- Financial Procedure and Fiscal Accountability Act, 2076 defines financial statement as a statement prepared in accordance with the Accounting Standards approved by the Government of Nepal to show the status of the operations in a certain period. The financial statements prepared without complying Accounting Standard are not the financial statement as per law. However, all financial statements submitted to the audit are different from the suggested framework in NPSAS, which can not be considered as financial statement. Thus, it is inevitable to adopt NPSAS for the compliance of legal provision regarding the preparation of financial statement.
- It provides uniformity and standardization in accounting treatment.
- Many additional disclosures are provided, which enhances the transparency and accountability.
- It provides comparable information relating to receipt, payment, cash balance and budget, which are essential for decision making purpose.
- Development partners recognize and accept the financial statement prepared under NPSAS. It increases the assurance level and international recognition.
- Qualitative characteristics of general-purpose financial statements are complied after adopting NPSAS.
- It helps to assess the sustainability of resources.
- Use of standard increases the credibility of financial statement and also facilitates financial audit.
- NPSAS extends its scope to non-budgetary entity, that helps to exercise control over such entity.
- It provides information relating to assets, liability, budget, off budget and off treasury assistance, investment and borrowing, which forms a basis to migrate towards accrual accounting system.

4. Recent Initiatives

GoN has decided to implement updated NPSAS Cash Basis in 6 December 2022 to mitigate the challenges faced during the execution of the earlier version of NPSAS. Many mandatory provisions are shifted to the voluntary provision without compromising qualitative characteristics of financial statement. The silent features of the updated NPSAS are discussed below:

4.1. It has two parts. Part one is compulsory. It sets out the requirements for all entities preparing general purpose financial statements under cash basis of accounting. It defines cash basis, controlling and controlled entity. It establishes disclosures requirements. Part two is for the encouragement, which is important to move to accruals-based accounting system. The FCGO requires to determine which disclosure or frameworks are to be used in the national context. Such disclosures are needed to enhance accountability and transparency.

4.2. All Entities are required to prepare a statement of cash receipts and payment that includes information like all cash receipts, payments and cash balances, third party payment in separate column, accounting policies and explanatory notes, comparison of budget and actuals. Additionally, basis of preparation, name of controlled entities, reporting entity, presentation currency, borrowings, authorization date, third party payment of external donors and other assistance which are not received in cash, undrawn assistance, receivable, payable, assets and liabilities are to be mentioned in the accounting notes as a disclosure. Such information including disclosure are presented in a comparable format.

4.3. NPSAS based Financial Statements are to be prepared, if cash is controlled by the entity. Such entity is also called reporting entities, that raises resources from, or on behalf of, government/entity or uses resources to undertake activities for the benefit of reporting entities. In some cases, any entity collects and deposits cash on behalf of its government or another entity before transferring to consolidated fund of respective government or another entity. The amount is deposited in the bank account of an entity. Thus, the cash is controlled by the entity and cash received, payment made and cash balance are presented in the face of the Statement of Cash Receipt and Payment.

4.4. Sometimes, government opens "treasury single account" to manage the expenditure of its entities. In such case, the individual entities do not have separate bank account though the payment is made from treasury single account under the recommendation of the respective individual entity. The treasury operator maintains separate ledger for each entity. The cash inflow, outflow and cash balance of such entity which are transacted through treasury single account will be reported in the face of the receipt and payment statement of the individual entity.

4.5. In some cases, third party directly purchases goods and service on behalf of the entity or settles liabilities of an entity. Such third-party payments are presented in separate column on Statement of Receipt and Payment. Similarly, a national government or independent agency may directly pay a contractor or supplier to settle the liability of construction work or goods supplied. The respective entity does not receive cash. However, it is benefited from the payment. Therefore, it should be reflected as a cash receipt and payment as per NPSAS.

4.6. Financial statements are generally presented at least annually. If a period of less or more than one year is used, it should be explained that comparative amounts may not be comparable. In NPSAS, the underlying rule is that in normal circumstances the presentation and classification of the items should be retained consistent over the period of time. If changed, it should be explained properly.

4.7. The consolidation is crucial and critical issue in NPSAS, which is closely linked with the concept of control. When one entity has a control over other entity in its financial and operational activities or its benefit, then the financial statement of such controlling entity is presented consolidating all of its controlled entities, which is called consolidated financial statement. Normally, controlling entity needs to consolidate all of its controlled entities. However, it can exclude a wholly owned controlled entity, if the users of such entity do not in existence or the information needed for such entity are met by the overall consolidated financial statement. NPSAS also provides flexibility to decide the level of aggregation and consolidation can be done as per program, level of government, nature or function of the entity.

4.8. While consolidating the financial statement, the transactions between the controlled entities within the same controlling entity must be eliminated. For example, one entity may provide cash or bear expenditure of another entity of the same controlling entity. Such transaction should be eliminated as per NPSAS to prepare consolidated financial statement.

4.9. NPSAS also describes the treatment of foreign currency receipts, payment and cash balances. Cash receipts and payments in foreign currency should be converted by using the exchange rate at the date of the transaction. The closing balances remain in a foreign currency at the reporting date are converted into Nepalese currency at the closing rate.

4.10. Budget information such as original and final budget, actual budget amounts are presented in comparable basis. It enables the users to assess whether resources are obtained and used in the manner anticipated or not.

4.11. In public sector, external assistance can be an important resource. So, it should be properly accounted or disclosed. It is received under the bilateral or multilateral agreement from one country or organization to another. Such external assistance and other assistance should be disclosed separately on the face of financial statements, if those are received in cash. Otherwise, such assistances are to be disclosed in the notes to the financial statement.

4.12. NPSAS has defined the administered transactions and pass through transaction. Sometimes, an entity may have cash flows resulting from transactions administered by the entity that works as an agent on behalf of other. Likewise, a transfer payment to third party is pass through in the entity's bank account. In such case, the administered transaction and pass through transactions are processed through the entity's own bank account. These transactions are included in the statement of receipts and payments with disclosure.

4.13. NPSAS has suggested to disclose major classes of transaction on the face or through the disclosure notes. Such classification can be done as per nature of transactions and functional method. The FCGO has prepared and get approval from Auditor General on *An Integrated Economic Code, Classification and Interpretation, 2074* to classify expenditure and revenue of the three tiers of government, which is in line with General Financial Statistic, 2014, issued by International Monetary Fund. Accounts are generated, summarized and reported as per the code and classification mentioned as per the document, which has been adopted in the NPSAS framework.

After the decision made to implement the updated NPSAS by cabinet, the FCGO has designed OAG forms in line with it and get approval from the Auditor General. NPSAS implementation task force was formed and various orientation programs were organized inviting Chief of Account Officers, Chief of Provincial Treasury Comptroller Offices and some head of District Treasury Comptroller Offices. Recently, the FCGO has submitted Financial Statements of Federal Government in the format prescribed by NPSAS on 1st November, 2023. It is the remarkable achievement in the history of NPSAS implementation. The FCGO is incessantly making effort to prepare financial statement of whole of the government in the prescribed format of NPSAS within the stipulated timeframe.

5. Challenges in implementation of NPSAS

The FCGO has set priority for the full implementation of NPSAS. It is struggling since the execution of earlier version. The FCGO has learned many lessons during the implementation phase. Considering the lessons learned during the implementation of earlier version, the FCGO has determined strategy for the adoption of NPSAS. However, there are still several challenges to be dealt with while implementing NPSAS. Some challenges are discussed below:

5.1. The most important challenge is to identity the control of entity and control of cash. Identifying when the cash is controlled and when it is administered can be very problematic. Entity mapping based on control is still debatable, though it is defined in IPSAS 35.

5.2. NPSAS is flexible in consolidating Government Business Enterprises. However, consolidating extra-budgetary entity is still challenging. Extra-budgetary entities have their own accounting system, chart of account. Some extra-budgetary entities have been already adopting accrual basis accounting. So, it is problematic to consolidate financial statement of diverse nature.

5.3. In the consolidation process, one of the significant challenges is elimination. The consolidated financial statements should only reflect transactions between the entity and external to it. Thus, the transaction between entities within the economic entity are to be eliminated to avoid double counting. A government department may provide conditional grant to its controlled extra-budgetary entity. While preparing the consolidated financial statement, such conditional grants should be eliminated. Otherwise, the receipts and payment of the department will be inflated by the same amount. Elimination is easy to understand but difficult to identify the transactions. It is also complicated to determine the policy that which types of transactions are to be eliminated.

5.4. Various OAG Forms have been designed by the FCGO and approved by Auditor General. Among them, OAG Form No. 213 'Financial Statement' is commonly used for auditing purpose. The NPSAS-based financial statements, OAG Form No. 270 (1-7), are not considered or examined during audit. This is the major constraints in NPSAS implementation. If auditor does not require NPSAS-based financial statement, the entities are not induced to prepare such statement.

5.5. NPSAS has two parts. First part is compulsory and some provisions of part two need to be adopted for fair presentation and transparency purposes. The determination of uniform and acceptable structures of NPSAS-based financial statement for the government level, ministry level and entity level are also challenging due to the diverse and complex nature and size of the entities.

5.6. Earlier version of NPSAS could not be implemented due to capacity limitation. Every year ministries used to employ consultant to prepare the NPSAS-based financial statement, which remained in formality. Thus, the target of NPSAS implementation would not be accomplished without capacity development of accounting service cadre.

5.7. While adopting NPSAS part 2, many information such as third-party payment in kind, government property, plant and equipment, receivable, payable, other liabilities are to be presented in the notes to the financial statement. However, there is no any mechanism to maintain record and evaluate such items. The FCGO has recently developed OAG Forms to capture such information. However, the basic records are still lacking. It may hinder the compliance of NPSAS in future.

5.8. Financial Procedure and Fiscal Responsibility Act, 2076 has not defined controlled and controlling entity. The deficiency in the legal provision to consolidate the financial statement of extra-budgetary entity also impedes consolidation process. Currently, the FCGO has formulated policy for using NPSAS-based financial statement in the controlling entity only. However, as per the standard and legal provision, all financial statements are to be presented in the framework complying the NPSAS. This indicates that all spending units are required to prepare NPSAS-based financial statement, which seems challenging.

5.9. Basis of budgeting and accounting policy should be the same. However, even in fully developed systems, budget remains on cash basis but accounting is in accrual. In such situation, variation between budget and actual requires complicated adjustments.

6. Way forward

The FCGO has a responsibility to formulate standard, format, framework and guideline for government accounting. Various OAG Forms were approved by Auditor General and updated version of NPSAS has been recently approved by GoN. Currently, the FCGO is committed to implement NPSAS and has prepared consolidated financial statement of federal government that has been already submitted to the government by using NPSAS-based framework. Several ministries have also submitted consolidated financial statement using the framework recommended by NPSAS. However, there are many challenges such as defining control, complexities of consolidation, and the need for capacity development for the full implementation of NPSAS. The FCGO has to prepare short-term and long-term strategy to implement NPSAS. The long-term strategy should lead towards adopting accrual-based accounting.

In the short-term, the FCGO needs to amend legal provision by including definition of controlled and controlling entity. It is essential to clarify in legislation that extra-budgetary entities are required to submit financial statement including all income and expenditure of internal sources to the FCGO within the specified time period. The requirements of using the chart of account and accounting system as prescribed by the FCGO to extra-budgetary entity is inevitable for the consolidation purpose. Only NPSAS-based financial statement should be audited. Mapping and elimination policy are to be formulated to ease the process of consolidation. Likewise, various frameworks of NPSAS-based financial statement are required to determine for whole of the government, ministry and entity level. Currently, the FCGO has a plan to prepare NPSAS-based financial statement in whole of the government and ministry level only. However, it is contrary to the provision of Financial Procedure and Fiscal Accountability Act. Thus, the FCGO and other stakeholder must be aware of the legal provision that all spending units (entities) are required to prepare the NPSAS-based financial statement as prescribed by NPSAS.

Capacity constraint is the most important hurdle in NPSAS implementation and requires to carryout capacity development activities to cope with the situation. In this connection, tools like manuals and directives are to be prepared and series of skill development programs are to be organized in national, provincial and local level. Moreover, mechanism to maintain the record of third-party payment in kind, government property, plant and equipment, receivable, payable, other liabilities of various offices is to be initiated.

It can be expected that the success of the NPSAS implementation would play a major role to migrate from cash-based accounting system to accrual accounting. So, the FCGO will have to properly plan initial process of implementation and cost involved. Similarly, commitment from the leadership and the continuous support from stakeholder would also be crucial in this regard. Eventually, adoption and implementation of NPSAS will help improving financial reporting and ultimately contribute to transparency and fiscal accountability.

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Strengthening Gender-Responsive Budgeting (GRB) in Nepal: A GRPFM Framework Approach

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Gender-Responsive Budgeting (GRB): A Catalyst for Gender Equality and Women's Empowerment:

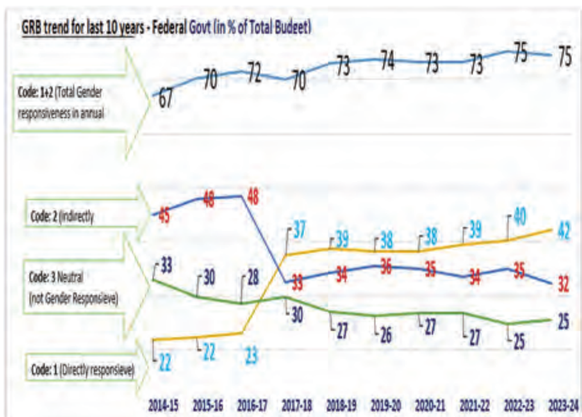
GRB is an approach to budgeting that aims to ensure that public finances are allocated and utilized in a way that promotes gender equality and women's empowerment. It recognizes that budgets can have a significant impact on gender relations, and that by integrating gender considerations into the budgeting process, governments can effectively address gender disparities and advance the rights and opportunities of women. GRB has adopted a transformative approach to budgeting. Embedding gender considerations into the budgeting process, governments can effectively address gender disparities, dismantle barriers, and advance the rights and opportunities of women. Nepal embraced GRB in 2007, demonstrating its commitment to gender-equitable development. While significant progress has been made in integrating gender perspectives into the budgeting process, however, challenges remain in ensuring full and effective GRB implementation.

Current Status of GRB Practice in Nepal

Nepal has embarked on a pioneering journey in integrating GRB into its fiscal governance framework. A comprehensive set of guidelines and a structured approach guides GRB implementation, encompassing the entire budgeting process from planning to evaluation. This commitment is evident in the consistent incorporation of GRB coding in Nepal's annual Red Book budget documents.

Red Book Analysis: A Promising Trend

A closer look at the Red Books reveals the story of Nepal's growing gender responsive budget process. Over the past ten years, the combined share of "Directly Responsive" and "Indirectly Responsive" budgets has consistently exceeded 70%, reaching a high of 75% in 2023-24. This signifies a remarkable commitment to allocating significant resources towards programs and initiatives promoting gender equality.



Detail breakdown of Gender responsiveness in FG budget –

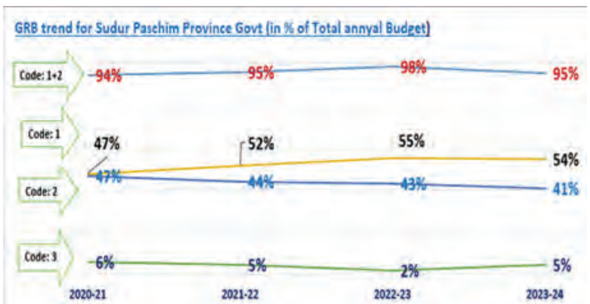
Amount in NPR ' billion

Fiscal Year	1. Directly Responsive Budget		2. Indirectly Responsive Budget		3. Neutral (Not responsive)		Total Annual Budget	Total Gender Responsiveness of Budget (Direct + Indirect) in %
	Amount	**%**	**Amount**	**%**	**Amount**	**%**		
2007-08	19.09	11%	56.03	33%	93.87	56%	168.99	44%
2008-09	32.91	14%	83.58	35%	119.53	51%	236.02	49%
2009-10	49.46	17%	104.16	36%	132.32	46%	285.94	54%
2010-11	60.61	18%	112.65	34%	154.64	47%	327.90	53%
2011-12	73.33	19%	176.21	46%	135.35	35%	384.89	65%
2012-13	87.07	22%	178.63	44%	139.11	34%	404.81	66%
2013-14	112.50	22%	227.30	44%	177.40	34%	517.20	66%
2014-15	135.56	22%	278.38	45%	204.15	33%	618.09	67%
2015-16	182.51	22%	393.16	48%	243.79	30%	819.46	70%
2016-17	242.30	23%	508.20	48%	298.41	28%	1,048.91	72%
2017-18	478.59	37%	417.67	33%	382.73	30%	1,278.99	70%
2018-19	508.37	39%	450.80	34%	355.99	27%	1,315.16	73%
2019-20	585.20	38%	545.06	36%	402.70	26%	1,532.97	74%
2020-21	562.69	38%	517.95	35%	394.01	27%	1,474.65	73%
2021-22	650.58	39%	554.28	34%	442.72	27%	1,647.58	73%
2022-23	721.98	40%	626.94	35%	444.92	25%	1,793.84	75%
2023-24	738.40	42%	566.66	32%	446.24	25%	1,751.31	75%

Source: GoN Red books (GRB estimates annexed each year in GoN red book)

Beyond Numbers: Unpacking Challenges

While the statistics expose a promising picture, challenges remain in ensuring the effectiveness and impact of GRB. One key concern lies in the internal control and oversight mechanisms surrounding GRB coding. Current practices lack robust systems to prevent inconsistencies and discrepancies, leading to a potential overestimation of the actual level of gender responsiveness. Furthermore, a crucial gap exists in comprehensively analyzing the impact of GRB on gender equity and women's empowerment. Measuring the tangible outcomes of gender-responsive resource allocation, including their contributions to reducing gender-based violence and empowering women, is essential for demonstrating the true effectiveness of GRB and informing future policy adjustments.



Potential Overestimation of GRB Impact:

The current GRB coding methodology, used both by the federal government and some provincial governments, may lead to an overestimation of the actual impact of resources on gender equality. This concern ascends from potential ambiguities or overly broad criteria within the coding categories, particularly for "Directly Responsive" budgets and the coding formulae set in Line Ministry Budgetary Information System (LMBIS) As a result, some programs categorized as directly responsive may not directly address gender disparities or contribute effectively to gender-specific outcomes. This is evident in cases like Sudur Paschim province, where a high 94%+ GRB percentage potentially reflects limitations in the coding system rather than a true reflection of gender-responsive resource allocation and its impact.

Challenges at Sub- national Government (SNG) Level

Provincial GRB Guidelines:

Provincial governments (PGs) have neither adopted 2012 guideline now applied by FG or 2020 model guideline issued by MoF nor developed own guidelines tailored to their unique needs and priorities to ensure accurate coding and assessment.This lack of clear direction and tailored guidelines for PGs can hinder effective implementation and accurate assessment of their GRB efforts.

Inconsistent Coding and Inflated GRB Percentages:

PGs are currently applying a GRB coding system directly imported from the FG's LMBIS to PLMBIS without developing their own context-specific guidelines. This practice has led to either inaccuracy in capturing the unique priorities and challenges faced by PGs in their respective provinces or inflating PGs' reported GRB percentages, potentially masking areas where gender-responsiveness requires strengthening.

Delayed SuTRA Implementation:

Local level or governments (LGs) face significant hurdles due to the ongoing delay in implementing GRB coding within the Sub-National Treasury Regulatory Application (SuTRA). This lack of a unified platform hinders their ability to effectively track, report, and analyze gender-responsive resource allocation within their jurisdictions.

Inconsistent Scoring Criteria and Methodological Discrepancies:

The existing GRB guidelines, encompassing both the 2012 and 2020 versions, present significant challenges due to inconsistencies in scoring criteria and methodological approaches. The 2012 guidelines emphasize individual budget sub-heads and their scores across five specific criteria. This approach can potentially overlook the holistic impact of programs by focusing too narrowly on individual components. In contrast, the 2020 model guidelines shift the focus to sub-activity level budget contributions to three broader criteria. While this approach could capture a wider scope of impact, it risks masking nuances within individual sub-activities. These challenges make it difficult to accurately assess the gender responsiveness of budgets and hinder the effectiveness of GRB efforts.

<table>
<tr><th rowspan="2">Codes</th><th colspan="2">Weightage methodology</th><th colspan="2">Scoring Criteria</th></tr>
<tr><th>2012 GRB guideline</th><th>2020 model guideline</th><th>2012 GRB guideline</th><th>2020 model guideline</th></tr>
<tr><td>GRB code 1: Directly Responsive Budget</td><td>total score > 50</td><td>>60% of the budget</td><td rowspan="3">Score on each budget sub head contributing to following 5 criteria –
1. Women's participation in planning & implementation (Score – 20)
2. Women's capacity enhancement (score –20)
3. Ensuring benefits and control of women over the programme (Including targeted programmes) (Score –30)
4. Promoting employment and income generation for women (Score – 20)
5. Qualitative improvements of women's time use or reducing workload (Score – 10)
There are sub indicators to calculate the total score to obtain total composite scores as per above criteria</td><td rowspan="3">Sub activity level total budget contributing to following <u>3 Criteria-</u>
1. Livelihood empowerment of women
2. Women's voice empowerment
3. Contribution to change in discriminatory policies and values
Weightage applied on the grand total of budget for each sub activities having direct or indirect or neutral on above 3 criteria.</td></tr>
<tr><td>GRB code 2: Indirectly Responsive Budget</td><td>total score 20-50</td><td>10-60% of the budget</td></tr>
<tr><td>GRB code 3: Neutral (no gender responsiveness)</td><td>total score > 20</td><td>>10% of the budget</td></tr>
</table>

Here's a table summarizing the current state of GRB practice in Nepal, including the strengths, weaknesses, challenges.

Dimension	Strengths	Weaknesses	Challenges
Policy and Institutional Framework	Comprehensive GRB framework	Lack of harmonization of GRB guidelines. Inconsistent guidelines across tiers 2012 federal vs. 2020 sub-national)	Harmonize GRB guidelines for all levels of government
Methodology and Coding	Standardized GRB coding	Outdated coding methodology (2012)	Update methodology to reflect federalization and evolving gender priorities

Capacity and Awareness	Integrated gender considerations	Inadequate capacity building hampers effective GRB implementation. Stereotypical trainings for gender focal points limit progress, leaving officials, CSOs, and broader gender expertise unprepared to tackle complex gender challenges	Expand capacity building for government officials, civil society organizations, and gender experts
Leadership and Oversight	Monitoring and evaluation mechanisms	Inadequate leadership and oversight	Strengthen leadership and oversight at all levels, including dedicated GRB focal points.
Monitoring and Evaluation	Application of GRB codes	Limited legislative scrutiny of GRB.	Enhance legislative scrutiny through regular debates and public hearings.
		Limited application of gender-responsive auditing guidelines by the OAG	Strengthen capacity and incentives for OAG to conduct gender-responsive audits; Provide dedicated training and resources for OAG staff on gender-responsive auditing; Integrate gender analysis findings into OAG reports and recommendations
Quality Control	Tracking of gender-related expenditures	Oversight lapses in coding (MoF in federal/provincial, SuTRA priority for local)	Implement robust quality control measures during MTEF development, including independent review and transparent coding manual

Nepal's GRB Journey: Accelerating Progress with GRPFM (Gender PEFA)

Nepal's commitment to GRB holds immense promise for advancing gender equality. However, bridging the gap between aspiration and tangible outcomes requires robust tools for assessment and improvement. This is where the Gender-Responsive Public Financial Management (GRPFM) framework emerges as a powerful catalyst.

GRPFM: A Comprehensive Diagnostic Tool:

GRPFM, a PEFA supplementary framework, offers a comprehensive set of nine indicators that act as a diagnostic tool for GRB implementation. These indicators delve into crucial aspects like:

PEFA/GRPFM Indicators

GRPFM 1 - Gender Impact Analysis of Budget Policy Proposals

GRPFM 2 - Gender Responsive Public Investment Management

GRPFM 3 - Gender Responsive Budget Circular

GRPFM 4 - Gender Responsive Budget Proposal Documentation

GRPFM 5 - Sex-Disaggregated Performance Information

GRPFM 6 - Tracking Budget Expenditure for Gender Equality

GRPFM 7 - Gender Responsive Reporting

GRPFM 8 - Evaluation of Gender Impacts of Service Delivery

GRPFM 9 - Legislative Scrutiny of Gender Impacts of The Budget

1. Gender Impact Analysis of Budget Policy Proposals:

This involves conducting ex ante gender impact assessments or evaluations, ensuring policies don't inadvertently disadvantage one gender over the other. In Nepal, there are initial efforts in this with pilot project supported by development partners. However, there is a need for strengthening institutional capacity and data availability for comprehensive assessments across policies.

2. Gender Responsive Public Investment Management:

This indicator evaluates how gender considerations are integrated into public investment decision-making, prioritizing projects that empower both men and women and address specific needs of each group. There are focuses on gender equality in sectoral policies and strategies in Nepal and there is a need to increase allocation of resources in gender-responsive projects and robust monitoring mechanisms.

3. Gender Responsive Budget Circular:

The indicator examines the comprehensiveness and clarity of budget instructions concerning GRB practices, ensuring consistent implementation across government agencies to avoide confusion. While mentioned in GRB annexes of the Red Book, the GoN's annual budget formulation guidelines lack sufficient focus on gender-responsiveness. This, coupled with variations in understanding and implementation across agencies, hinders effective GRB implementation and highlights the need for dedicated GRB guidelines, capacity building, and improved monitoring.

4. Gender Responsive Budget Proposal Documentation:

This indicator assesses the extent to which such proposals explicitly reference gender aspects and effectively translate gender-responsive policies into concrete resource allocations, making it clear where and how budget resources will contribute to gender equality. In case of Nepal, gender aspects are mentioned in budget proposals, but resource allocation often doesn't fully reflect stated intentions. This needs a stronger linkage between gender priorities and budget allocations, with transparent justification for funding decisions at three tiers of government.

5. Sex-Disaggregated Performance Information:

This indicator evaluates the availability and use of sex-disaggregated data, enabling authorities to track progress towards gender equality goals and identify areas where interventions might be needed. With increasing interventions, there are increasing availability of data, but analysis and utilization remain limited. These needs strengthening capacity of officials of all tiers of government for data analysis and integrating gender indicators into performance monitoring frameworks.

6. Tracking Budget Expenditure for Gender Equality:

This indicator measures the government's ability to track spending specifically directed towards promoting gender equality, ensuring transparency and accountability for GRB efforts and preventing misuse of funds. Nepal tracks budget expenditure for gender equality initiatives, a positive step for transparency and accountability. While tracking GRB spending exists (e.g., LMBIS/PLMBIS, published in red book by FG and PGs every year), accuracy and transparency need a boost.

7. Legislative Scrutiny of Gender Impacts of the Budget:

This indicator assesses the legislature's role in reviewing the budget from a gender perspective, including examining potential gender impacts during debates and making recommendations to address gender inequalities. Parliamentary committees at FG and PGs rarely discuss gender issues or if discussed, it lacks in-depth analysis and recommendations. There is a need to strengthen the capacity of parliamentarians to analyze budgets from a gender perspective and actively advocate for gender-equitable resource allocation.

8. Evaluation of Gender Impacts of Service Delivery:

This indicator evaluates the extent to which the supreme audit institution incorporates gender aspects into its audit procedures and reports, promoting accountability for gender-related budget allocations and outcomes. Office of Auditor General Nepal seldom audits incorporating gender aspects, primarily focusing on financial compliance. There is a need of systematic integration of gender analysis into audit procedures and reports, evaluating the effectiveness of services for men and women.

9. Civil Society Engagement in GRB:

This indicator measures the level of civil society participation in GRB processes, ensuring inclusivity and incorporating diverse perspectives into budget decision-making, leading to more equitable outcomes for all. Civil society organizations in Nepal are active in advocacy and awareness raising but there is a need of increased space for meaningful engagement in budget consultations and decision-making processes, ensuring diverse voices are heard and considered.

Aligning with Nepal's Values:

Beyond these specific indicators, the GRPFM framework resonates with Nepal's existing commitment to gender equality. It emphasizes key principles like:

1. **Political commitment:** Encouraging high-level leadership and resource allocation for GRB.
2. **Institutional framework:** Establishing dedicated GRB focal points and committees for effective coordination.
3. **Capacity building**: Equipping officials, civil society, and gender experts with necessary skills and knowledge.
4. **Gender-responsive budgeting process**: Integrating gender considerations at all stages of the budget cycle of three tier of government.

5. **Gender-sensitive budget outcomes:** Ensuring budget allocations translate into tangible improvements for women and girls.

Embracing GRPFM for Transformative Change

By adopting the GRPFM framework, Nepal can unlock a new era of GRB effectiveness. Here's how:

- **Comprehensive assessments**: Utilize the framework's structured approach to evaluate GRB policies and practices across all government levels.
- **Targeted interventions**: Identify specific bottlenecks and weaknesses through GRPFM analysis and address them with targeted interventions.
- **Robust monitoring and evaluation**: Implement robust mechanisms to track progress towards gender equality goals and measure the impact of GRB initiatives.
- **Strengthened stakeholder collaboration:** Foster collaboration among government agencies, civil society, and gender experts to leverage diverse perspectives and expertise.

Ongoing PEFA assessment in Nepal

Regular Public Expenditure and Financial Accountability (PEFA) and Gender PEFA assessments by the Financial Comptroller General Office (FCGO) will be crucial in refining the GRPFM framework and ensuring its continued relevance to Nepal's evolving context. Ongoing Gender PEFA assessment in the federal context will reveal the facts for the attention of all stakeholders.

Embracing GRPFM is not just a technical exercise; it's a collective call to action. By dedicating ourselves to its principles and utilizing its tools, we can transform Nepal's GRB journey into a powerful engine for gender equality and inclusive prosperity. Let us rise to this challenge together, united in our commitment to a brighter future for all.

Recommendations: Building a Stronger Framework and Integrating GRPFM and Gender PEFA into Nepal's GRB Strategy

Nepal's commitment to GRB is praiseworthy, yet the gap between aspiration and progress demands a clear roadmap for maximizing its effectiveness. Here are key recommendations across three crucial areas:

1. Harmonization and Continuous Improvement:

Unify GRB across tiers: A comprehensive review of existing guidelines, ensuring alignment with the 2020 model framework, fosters clarity and inclusivity.

Dynamic adaptation: Adapt the GRB methodology based on GRPFM and gender PEFA findings, incorporating lessons learned and evolving needs to maximize effectiveness.

Strengthen oversight: Establish dedicated GRB focal points and empower parliamentary committees for effective monitoring, accountability, and evidence-based decision-making.

Align with GRPFM: Use the findings to inform revisions and ensure alignment with best practices. Regularly integrate gender PEFA into the budget cycle to assess public financial management through a gender lens. This will highlight areas for improvement in resource allocation, control, and transparency.

2. Building Capacity and Leadership:

Empower parliamentary oversight: Enhance parliamentary committees' capacity to analyze budgets through a gender lens using GRPFM and gender PEFA frameworks. This will strengthen their ability to hold governments accountable for gender-responsive resource allocation.

Safeguard accuracy: Implement an independent review committee and a standardized coding manual with grievance mechanisms for accurate and unbiased GRB coding during MTEF development.

Strengthen GRB focal points: Equip dedicated GRB focal points with expertise in GRPFM and Gender Equity and Social Inclusion (GESI) to provide guidance and support at all levels of government.

Targeted training: Develop GRB training programs tailored to different government tiers and stakeholders, incorporating GRPFM principles. Implement mandatory GRB training and tailored materials for all tiers, fostering ownership and practical application. This will ensure officials have the necessary skills and knowledge to apply these tools effectively.

3. Legislative Scrutiny and Quality Control:

Modernize coding methodology: Address concerns about accuracy by refining criteria, improving clarity, and ensuring consistency between federal and provincial practices.

Integrate gender into OAG audits: Audits conducted by the Office of the Auditor General should incorporate a gender lens to comprehensively assess resource utilization.

Strengthen internal controls: Implement robust mechanisms to ensure consistent and accurate coding across government levels, fostering greater transparency and accountability.

Prioritize impact analysis: Move beyond allocation figures and invest in comprehensive assessments of how GRB resources translate into tangible outcomes for women and girls.

Robust data management: Implement robust data systems that capture and track gender-disaggregated data across all stages of the budget cycle. This will enable reliable monitoring and evaluation of GRB efforts using GRPFM

By embracing these recommendations, Nepal can leverage the power of GRPFM to strengthen its GRB framework and truly unlock its potential for transformative change. This comprehensive approach will not only ensure efficient and transparent resource allocation but also drive tangible progress towards gender equality and women's empowerment. Remember, this roadmap is a living document and requires ongoing commitment and adaptation. By working together, Nepal can become a global leader in demonstrating the true impact of GRB, guided by the principles of GRPFM and gender PEFA. This roadmap demands collective action, but the rewards are vast: a nation where gender equality thrives on shared opportunities and prosperity.

Conclusion: A Unified Leap Towards Gender Equality in Nepal

Achieving gender equality in Nepal demands more than aspirations; it necessitates collective action. This journey begins with strengthening GRB through the powerful framework of GRPFM. This article has attempted navigating the current GRB landscape, illuminating its strengths and exposing its limitations. We've delved into the potential of GRPFM to assess and refine GRB implementation, but knowledge alone cannot bridge the gap to progress. We must break down silos, aligning GRB across government levels with diverse voices guiding the way. Women, girls, and civil society expertise must be heard, their insights woven into pilot projects and ongoing evaluations, fueling continuous improvement.

Skilled champions are crucial. Equipping officials with training, tailored resources, and academic partnerships empowers them to translate GRB principles into tangible benefits for women and girls. Strong accountability follows, anchored by dedicated focal points, empowered oversight committees, and adequate budget allocations.

Laws and policies must explicitly champion GRB, creating a legal foundation for progress. Public scrutiny, fueled by parliamentary debates and international agreements, will sustain momentum and hold the course. And quality control is paramount, ensured by an independent review committee, a standardized coding manual, and accessible grievance mechanisms, fostering trust and transparency every step of the way.

This call to action transcends policymakers. Every citizen can be an agent of change. Let's engage in open conversations, demand accountability, and stand shoulder-to-shoulder with organizations tirelessly working for gender equality. Nepal stands at a pivotal juncture, poised to rewrite its narrative into one of equal opportunities and shared prosperity. Together, let us embark on this unified leap towards a brighter future for all.

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Challenges in Risk Allocations Between Employer and Contractor Under FIDIC Forms of Contracts

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Introduction

Standard forms of contracts are essential to promote fairness, transparency and efficiency in the procurement process. It helps to allocate and mitigate risks ensuring legal compliance and attracting qualified bidders for the successful implementation of the construction projects. Several forms of contract are used in the procurement of construction work. The major construction activities around the world use standards forms of contracts such as: Fédération Internationale des Ingénieurs Conseils (FIDIC) Forms of Contracts, Australian Standards contracts (issued by Standards Australia), Australian Building Industry Contract (ABIC), standard forms of contract developed by Canadian Construction Documents Committee (CCDC), China's Standard Form of Construction Contract, and in the UK, contracts developed by Joint Contracts Tribunal (JCT) and the New Engineering Contract (NEC) and its suite of Engineering and Construction Contracts (ECC). In Nepal, various roads, transmission lines and hydroelectricity powerhouses are constructed under FIDIC forms of Standard Contracts and it is essential that there would be a greater clarity on this issue – of risk allocations.

FIDIC – an organisation was formally constituted on 22 July 1913 and was named as *Fédération Internationale des Ingénieurs Conseils (in French)*, or later, the International Federation of Consulting Engineers. FIDIC Forms of Contracts are standard contracts developed by the organisation – FIDIC – taking into account (and to balance) the interests of both the Employer (which awards the construction contract) and the Contractor (which provides construction services) to the employer.

Drafting and understanding FIDIC compliant contract is a team job involving lawyers, engineers and finance professionals. It is important that Chartered Accountants need to have some knowledge of these standard forms of contracts so that Accounting and Finance Team will also be able to interpret and analyze the risk, monitor and track the progress of the projects to help it in budget forecasting, making payment and manage contract economically and efficiently.

Necessity of Standard Forms of Contract

The objective of using standard forms of contract is to define the contractual relationship between the parties and distribute the risks fairly to the parties. By using such standard forms of contracts, the Employer, the Contractors, the sub-contractors (and in some cases, the nominated sub-contractors) become aware of their responsibilities and obligations well in advance, and they can assume risks and liabilities with informed knowledge about the allocation of risks. Under these standard forms of contracts, all the stakeholder of the construction contracts are treated fairly, and equitably. In these contracts, there would be also a provision of independent supervision engineer (SE) who shall act independently and impartially from the employer and contractor while monitoring the performance of the contract. With such inbuilt features, FIDIC standard forms of contracts largely "standardize" the construction industry practices.

Under FIDIC, there are Yellow Book and Redbook Contracts, and there are also Silver Book and Green Book among others. To discuss the concept of risk allocation, this article mainly focuses on Yellow and Red Book provisions. In its basic form, Yellow Book is used in such construction activities where the contractor itself has to design the project whereas the Red Book is used when the Employer provides its design and procures the services of construction based on the design it has created.

Some of the advantages of using FIDIC Forms of Contract is that it tries to put both the employer and the contractor on the equal pedestal while dealing with construction risks. Both the parties are aware about the kinds of risks that they have to bear while signing the contract. A clarity on the scope of works and risks that they have to assume at the beginning of the work will provide confidence to both parties of the Contract to determine the cost of the construction and to perform contractual obligations in a timely manner. Another advantage of using FIDIC contracts for large projects is that they provide a uniform, fair and consistent framework that is recognized, accepted and respected by the international stakeholders. Most of the large-scale projects prefer International Competitive Bidding (ICB), and use of FIDIC forms of contracts gives a certain degree of certainty and confidence for international construction companies to participate in such bids.

In terms of risks allocation, FIDIC contract tries to clarify on many areas and this is in an attempt to pre-empt any disputes and claims at a later stage. However, despite their best efforts, there are areas and concerns that pose challenges to construction industries.

Basic Features of FIDIC Forms of Contract

FIDIC Forms of Contract is usually divided in two parts. Part I consists of the general conditions of the Contract (GCC) and Part II deals with the conditions of particular application (including guidelines for the preparation of Part II clauses). In practical construction world, the Part II provides the guidance to prepare Standards Conditions of Contract (SCC), which is also called Particular Conditions of Contract (PCC).

Part I contains the general terms of the contract, such issues as rights and obligations of each party, the role and obligation of Engineer, conditions governing free-issue materials, procedure for payment, variation, certification and dispute resolution etc. Part II of the contract is the conditions of particular application and is to be used to introduce project specific clauses, such as language of the contract, choice of law, the name of the person or firm appointed to act as Engineer or Employers representative for the project, conditions governing the use of funds under plant, materials and workmanship, issue of origin of the goods to be used in construction among other terms. The Appendix usually contains sample of documents to be used for the procurement process[1].

Another important feature of FIDIC Forms of Contract can be seen on dispute resolution mechanism. It adopts multi-layer dispute resolution system and the emphasis is on resolution of disputes by amicable settlement. The process usually provides as a first step, for disputes to be submitted for adjudication before an Engineer, and any party dissatisfied with Engineer's determination can request for amicable settlement. There would be certain time window within which amicable settlement is to take place. If the parties are not able to come to an agreement by amicable settlement, then, the other party can move to dispute adjudication board and finally to arbitration. The adjudication under the domestic courts would be the last resort for contracting parties.

1 https://www.thenbs.com/knowledge/a-brief-introduction-to-fidic-contracts (Accessed on January 16, 2024)

Challenges in using "standardized" Forms of Contract

Despite standard forms of contracts providing guidance to the construction industry to determine the risks and liabilities for each contractor and employer, there are certain areas where Standard FIDIC Contract's interpretation is very much subjective. That creates its own sets of challenges.

Some of the issues that we routinely face are the effect of uncertain events affecting cost, duration and quality of the project, for example, *unsuitability of construction sites* (Differing site conditions, or unexpected ground conditions), *delay in government approvals*, and *unavailability of construction sites when handing over of sites were to be on tranches* etc. Not having clarity on above issues could be the reason of protracted disputes, claims and litigations. Such scenarios are common in our country while executing many development projects and as practitioner, we have come across several instances of disputes and claims. For Example, the 53rd report issued by Auditor General of Nepal in 2072 BS, highlighted that a contractor claimed NPR 37.77 million as variations in various items of the Bill of Quantity while undertaking upgrade of access roads in a contract awarded by Malamchi Drinking Water Development Board. The Supervision Consultant appointed in that construction project accepted the claim only of NPR 27.4 million. Thereafter, the Contractor approached the Dispute Resolution Committee, and finally submitted an application for arbitration to the International Chamber of Commerce (ICC). The ICC gave its arbitration decision in favour of the Contractor and directed the Employer (i.e. Malamchi Drinking Water Development Board) to pay NPR 403 million as a variation, price escalation, value added tax, compound interest and arbitration charge to the contractor.[2]

For any contractor, the argument would be that the Employer failed to provide suitable sites within the reasonable time, or within the time agreed in the contract, and therefore, such omission on the part of the Employer would be a ground of Extension of Time (EoT) and additional costs for the Contractor. From the perspective of Employer, an *experienced Contractor* should have foreseen, planned and managed such situations at the time of bidding itself so that associated risks are (to be) allocated to that *experienced contractor*. Therefore, to avoid the shifting of blame at a later stage from one party of the Contract to another, it is imperative that Construction contracts are written with special attention to the appropriate use of standard forms of contracts with suitable and necessary insertion of language to meet the requirements of that particular construction activity. This challenge, to the great extent, can be addressed by introducing Special Conditions of Contracts (or Particular Conditions of Contracts, "SCC" or "PCC") over the General Conditions of Contracts (GCC). The GCC, which is mainly the FIDIC Form of Contract, should be modified so that allocation of risks can be done fairly, equitably and justly in order to avoid any future protracted litigations.

Other areas where contracting parties need to pay special attention are concept of *force majeure*, unforeseen ground conditions, changes in law, performance guarantee etc. These are such areas, which govern the extent and quantum of liabilities and responsibilities of the contracting parties, and are primary issues on "risk allocation" between the employer and the contractor. However, defining the scope precisely and clarifying the scope has only a limited effect. The other thing that both parties need to consider is that the ambit and scope of risk events may differ in different countries/jurisdictions. For example, concept of *force majeure* could be interpreted based on legal positions in each country as the term has more legal origin. Therefore, it is important that parties take into account the domestic laws of the Country while defining their scope and ambit of their "risks" as

2 This is one such example where disputes went upto international tribunal for adjudication when amicable settlement was not undertaken at the beginning. Against ICC's decision, the Malamchi Drinking Water Development Board filed a case in the Appellate Court, Patan which reduced the payable amount to NPR 382.7 million. It is understood that the Malamchi Drinking Water Development Board has filed an appeal in the Supreme Court. (For More Details, Please refer 53rd and 55th reports issued by Auditor General of Nepal in 2072 and 2074 BS)

ultimately, local laws govern the contract between them.

To illustrate this, FIDIC Forms of Contracts Yellow Book 2017 has used the term "Exceptional Events" under Clause 18 whereas Yellow Book 1999 had used the term *"Force Majeure"* under Clause 19. This is an update on the FIDIC suites of contracts and is important from the perspective of emerging challenges in the construction industry as seen from the COVID-19 pandemic though in the list of events mentioned under Clause 18, it does not include "pandemic" as one of the events constituting "Exceptional Events". The events that find themselves placed there are war, terrorism, riot, strikes, etc. For a Contractor, the term "exceptional events" gives a confidence that many such and grave events could fall under it. From a practical point of view, it is not possible to define or limit the breadth of "exceptional events", and they need to be determined on a case-to-case basis. The fallout of this expansionary understanding is that the FIDIC Form of Contract does not provide any relief to the employer on the ground of "Exceptional Event" or *"Force Majeure"*, and all the risks are allocated to the Employer and it shall bear that risk. Therefore, if "exceptional events" delay the construction activities, contractors are entitled to receive extension of time (EoT), and in quite a few cases, additional costs. Such costs are normally associated with mobilization and demobilization of laborers at sites, additional preventative measures employed to secure the construction sites, inputs and equipment on the sites etc. However, FIDIC Contract does not prescribe any remedy or solution when an Employer is affected by exceptional events and for example, is prevented to handover the construction sites to the Contractor within stipulated time. It is reasonable to expect that the Contractor would be entitled to extension of time in such a situation, as it could not have carried out any activities in absence of sites. Therefore, either way, this risk would have to be allocated to the employer under FIDIC Form of Contract.

Another area which complicates the risk allocation is the impact of "changes in law" – the topic which is particularly interesting for lawyers and practitioners. Such changes in law could be introduction of new laws on land ceilings, approval matrix of construction designs, introduction of new taxes, or laws affecting construction materials etc. The reasons and possibilities could be endless. Under FIDIC Yellow Book 2017, "Changes in Law" may give rise to a situation where a Contractor may be able to claim costs and time[3]. However, such claims by the Contractor could be only to the extent of direct and reasonable costs thereby limiting the profits and gains. In this case, even employer is allowed to ask for reduction in the contract price. In that sense, it can be said that the risks are equally allocated in this case. Changes in laws – with respect to direct and indirect taxes, rate of royalties and fees present another challenges to the practitioners. Introduction of new taxes or abolition of some of the existing taxes could force parties to adjust the contract prices. In this process, it is important that neither party suffer any losses nor anyone of them gets away with "unjust enrichment".

Harmonization of Standard (FIDIC) Forms of Contracts with Domestic Laws

The contract jurisprudence needs to debate and resolve this issue – the issue of what if domestic laws prescribe a separate and different degree of risks allocations than the standard forms of contract. Will such contracts be enforceable in the courts of law? Do such contracts be able to face the scrutiny by the domestic courts of justice in different jurisdictions? For example, FIDIC Red Book, 1999, Clause 1.1.6.5 defines laws, which ("Laws") *means all national (or state) legislation, statutes, ordinances, and other law.*

In addition, it has to be borne in

3 13.6 Adjustments for Changes in Laws, © FIDIC 2017, Conditions of Contract for Plant and Design-Build for Electrical & Mechanical Plant, and for Building and Engineering Works, Designed by the Contractor (FIDIC Yellow Book 2017). FIDIC Yellow Book 2017 Clause 13.6 is substantially changed and updated as compared to 13.7 "Adjustments for Changes in Legislation" FIDIC Yellow Book 1999. FIDIC Yellow Book 1999, under Clause 13.7, it was provided that the adjustments for changes in legislation which affected the Contractor in the performance of obligations under the Contract would give rise to a situation of adjustments of the Contract price.

mind that the FIDIC Red Book, 1999, Clause 1.4 provides *Law and Language* that expressly mentions that the construction contracts are governed by the law of the country stated in the appendix to tender. Therefore, any standard form of contract will be governed by a domestic law of a (that) country. That settles the first question about applicability of domestic laws in all contracts and even on those contracts written under Standardized Form (FIDIC). Though the question is settled on this, this may strike at the heart of "standardization". In that sense, there is a possibility that Standards forms of Contract are no longer 'Standard' as applicable laws and law of interpretation varies in each domestic jurisdiction. What if the domestic law of the country-required to allocate the risks among the contractor and the employer differently than the one prescribed by the Standard Forms of Contracts? For example, in Nepal the Public Procurement Act (PPA), 2063 and Regulation 2064 provides that contractors are entitled to receive price adjustment only if price of labor, materials are increased or decreased by more than ten percent. However, such limitation is not in FIDIC forms of contract. This may create dispute which is a real and major challenging issue in the contract jurisprudence that can be one such obstacle in the process of standardization. Some of the practitioners have raised this issue as well.[4] There could be domestic legal provisions that limit the assumption and allocation of risks and if standard forms of contract were contrary to such limitations, the enforceability of such standard forms of contracts would be uncertain. This will strike at the heart of the standard forms of contract as providing certainty among the contracting parties is one of the primary objectives of such contracts. Thus, the issue of who bears the risk is *normally* a matter of commercial negotiation. But, could it be directed to a certain party under the domestic laws? This is where the domestic laws come into play to define and regulate the commercial contracts.

Conclusion

There are several challenges in the interpretation of Standard form of contracts in the construction industry, particularly focusing on the FIDIC Contract. The subjective interpretation of certain contract clauses leads to challenges in areas such as uncertain events affecting project cost, duration and quality. Dispute and litigations arise from the issues like differing site conditions and delays in government approvals. It is required thorough research to align standard forms of contracts with domestic laws of the country to properly balance the risk bifurcation between the employer and the contractor. At the same time, the risk allocation should be in a fair and transparent manner so that both parties can rely upon these standard forms. Otherwise, they lose relevance, on one hand and on the other; the adjudicators, the tribunals and the courts may find it inconvenient to follow such standards. In that case, under common law principles and based on foundational principles of contracts laws as adopted in Nepal in *(Muluki Dewani Samhita, 2074)* Civil Code, 2074, the parties will be awarded rewards and remedies based on contractual provisions enumerated under Chapter – V of the Civil Code, 2074, under domestic laws of the country under which the contract is governed and interpreted. Hence, it is important to carve out the risk allocation among participating parties fairly in any contacts, and in construction contracts.

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Legal Provision for Sustainable Development Concept in Nepal

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Abstract

Nepal, a country nestled in the Himalayas, has made significant strides in enacting legal frameworks that promote sustainable development. This article explores various aspects of Nepal's legal system and its commitment to fostering sustainable practices. We delve into the key elements that shape Nepal's legal landscape for sustainable development.

Nepal, a landlocked country in South Asia, is still in neonatal phase of infrastructure and economic developments. Due to century's long political experiments, Nepal is yet to come for solid development plans and roadmap for the economic prosperity. While gelling up Environment, Social and Governance (ESG) components in each economic and infrastructure development, review of existing legal frameworks is crucial.

This study has been undertaken to review existing legal provisions of Nepal for Environmental, Social and Governance factors in development needs. Also, international treaties signed by Nepal and commitments made at various forum including Nepal's obligations under bilateral/multilateral agreements were studied for wider analysis. The study reflects that the country has recognized the need of protecting its environment and ensure social welfare through a comprehensive legal framework. To this effect, Nepal has implemented various laws and regulations aiming conservation of natural resources, pollution mitigation, and sustainable development promotion. Existing legal provisions are designed to address challenges faced by our Society in environment protection but at the same time, to ensure better future for all Nepalese through economic development.

(**Key Words**: Environmental, Social, Governance, Nepal laws, Treaties, Sustainable Development)

1. Introduction

No development can be done in isolation and no progress can flourish at the cost of other's devastation. Therefore, development and economic activities shall operate with minimum impairment to nature, bio-diversity, social harmony, and eco-system and governance system. The earth is common home of various components like plants, animals, society etc. So, the soil, air, water, and other various components of the planet need to be protected for long-term journey.

Sustainable development is defined as development that meets the needs of the present, without compromising the ability of future generations to meet their own needs[1]. The concept of sustainable development can be interpreted in many different ways, but at its core is an approach to development that looks to balance different, and

1 *Sustainable Development Commission : https://www.sd-commission.org.uk/pages/what-is-sustainable-development.html*

often competing, needs against an awareness of the environmental, social and economic limitations we face as a society. Living within our environmental limits is one of the central principles of sustainable development. But the focus of sustainable development is far broader than just the environment. It's also about ensuring a strong, healthy and equal society. This means meeting the diverse needs of all people associated in existing and future communities, promoting personal wellbeing, social cohesion and inclusion, and creating equal opportunity.

Economic growth has been the greatest challenge of Nepal in its entire history. Industrialization is far behind the target and modernization in agriculture is a dream yet to be realized. However, some signs of development are observed in the field of energy, tourism, education and service sectors. Laws are formulated and amended from time to time to encourage industrial growth, economic reforms and also for safeguarding associated social and environmental aspects.

2. Legal history of Nepal and Coverage of Environment and Social parameters

Laws are an indispensable element for the smooth running of any system of governance. In Nepal, efforts and achievements that should have happened in law implementation and enforcement are in continuous improvement phase.

Nepalese legal system is as old as human civilization. *Nyabikasini* was one of the early codified laws issued in 1436 BS (1380 AD) which existed even prior to the modern code of world community.[2] *The* sources of laws were religious scriptures, interpretations of such scriptures passed onto generations by words of mouths such as *Manusmriti*, social customs, traditions and royal edicts. Even punishment system was indigenous in nature from simple to complex. Western model of legal system started to influence Nepalese legal system only after 1850s after Prime Minister Jung Bahadur Rana's visit and return from Europe. Prime Minister Jung Bahadur Rana initiated the review of the then existing laws of Nepal. The most notable Statute codified under the reign of Prime Minister Jung Bahadur Rana is "The Country Code" (Compendium of Laws on Civil and Criminal Matters including Procedural Laws) (*In Nepali "Muluki Ain 1854 AD"*). For the first time in Nepal, it dealt with criminal and civil law, as well as on the issues of administrative law, land law, revenue administration, land survey, in the most systematic manner with influence of western jurisprudence. It embodied the various Nepali customs, laws, usages, social norms, and royal proclamations . It continued as the main source of law in the country until 1963 AD, for about 110 years, until it was replaced by the Country Code (*In Nepali "Muluki Ain"*) of 1963 AD.[3]

The Country Code promulgated by Prime Minister Jung Bahadur Rana even then consisted some of the legal provisions, though primitive, to protect environment. For example, Chapter 32 of the Code provided punishments for "cutting down trees" of the public places. It specifically prohibited the felling down of trees which were planted on the roadside, near public wells and canals. For violation of this provision, the Code had provided monetary fines, penalties, and confiscation of such cut down trees. For any failure to pay the monetary fines, the culprit would be imprisoned. Therefore, it is evident that the protection of environment was a concern for the then rulers of Nepal as well back in 1910 BS (1854 AD). However, it can be understood that the laws on environmental issues were extremely primitive and had narrow coverage in those times.

With the adoption of Nepalese Constitution in 2072 BS (2015 AD), it has brought a paradigm shift in the mechanism, structure, and functioning of the entire governance system in Nepal. Nepal's new Constitution enshrines various provisions and articles and tries to balance economic prosperity with preservation of environment. Article 30 of the Constitution guarantees a clean and healthy environment to every citizen as a fundamental right and provides the victim a right

2 *Suman Acharya, Nepal Rasta Bank 2021, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3835576*

3 *Kanak Bikram Thapa, Religion and law in Nepal 2010, https://digitalcommons.law.byu.edu/cgi/viewcontent.cgi?article=2537&context=lawreview*

to obtain compensation for any damage caused by environmental pollution or degradation. Further, the same article directs the state to formulate necessary laws to balance environment and development.

There is a landmark case of Godawari Marble Industries pertaining to the environmental protection (vide Surya Prasad Dhungel Vs. Godavari Marble Industries. NKP, pp 132-150, 169, 2052) in which the Supreme Court concluded that the clean and healthy environment is the right to life under article 12(1) of the Constitution of Kingdom of Nepal 1990 and directed the respondents to enforce the Minerals Act 2042 (1985), enact necessary legislation for protection of air, water, sound and environment and to take action for protection of the environment of Godawari area. Similarly, in another case of Prakash Mani Sharma et al. Vs. Office of the Prime Minister et al. NKP 2073. D.N. 9575, the Supreme Court declared Godavari area as a living museum of cultural and biological significance directed the government to shut down the controversial Godawari Marbles Industries as Godawari area was negatively impacted by the mining operation. Both the decisions cover in length various aspects of environmental protection and sustainability development including Stockholm Conference 1972, World Summit on Sustainable Development 2002, Polluters Pay Principle, Environmental Management System, EIA, IEE, SDGs and so on.

Apart from the Constitution, there are numerous statues that guide and govern the environmental and social aspects of development activities. Some of the major legislations are listed below:

- National Parks and Wildlife Conservation Act, 2029
- Land Acquisition Act, 2034
- Water Resources Act, 2049
- Electricity Act, 2049 and Electricity Rules, 2050
- Child Labor (Prohibition and Regulation) Act, 2056
- Human Trafficking and Transportation (Control) Act, 2064 (2008)
- The Land Acquisition, Rehabilitation and Resettlement Policy 2072
- Labor Act, 2074 and Labor Rule, 2075
- Environment Protection Act, 2076 and Rules, 2077
- National Climate Change Policy, 2076
- Forests Act, 2076 and Rules, 2079
- Minerals Act, 2042

Nepal's legal framework places significant emphasis on environmental protection and conservation. There are various legal requirements for promoting sustainable practices in agriculture and tourism. Legal framework extends to the promotion of sustainable practices in various key sectors such as in hydropower, agriculture, tourism etc. We look into some of the major legislations that come into play in protection of environment while promoting sustainable development at the same time. We have grouped them under various categories by looking at their nature and function.

2.1. Laws on Protection of Environment

Nepal has enacted several laws to safeguard its environment and combat environmental degradation. These laws focus on preserving biodiversity, preventing pollution, and promoting sustainable practices. Some key pieces of legislation include:

i. Environment Protection Act, 2076 (2019):

This Act provides the legal basis for environmental protection in Nepal. It establishes mechanisms to control pollution, preserve natural resources, and enforce environmental standards. The EPA emphasizes the use of clean technologies, waste management, and pollution control measures.

ii. Forests Act, 2076 (2019):

This Act is enacted to safeguard Nepal's extensive forest cover, and regulates the conservation and management of forests. It promotes sustainable forestry practices, discourages deforestation, and strives for reforestation efforts. The Forest Act also emphasizes the rights of local communities to participate in forest management and benefit from forest resources. The Community Forest Users' Group Guideline empowers local communities to participate in sustainable forest management, ensuring their socio-economic development and environmental stewardship. However, it has been subject to severe criticisms by development sectors especially from Hydropower developers, and contractors involved in transmission line, roads and canals for the laws being very strict and having cumbersome process for trees cutting in development activities.

iii. National Parks and Wildlife Conservation Act, 2029 (1973):

National Parks and Wildlife Conservation Act aims to manage the national parks, protect wildlife and their habitat, regulate hunting and conserve, promote, develop, and make appropriate arrangements for and the use of places which are of special importance. Nepal as a contracting party to the Convention on Biological Diversity (CBD) is obliged to fulfill all the three objectives of the CBD including the conservation of biological diversity, its sustainable use, and fair and equitable sharing of benefits from the utilization of genetic resources[4].

iv. Water Resources Act, 2049 (1992):

The Water Resource Act dictates the proper utilization and conservation of water resources through sustainable practices.

v. National Climate Change Policy, 2076 (2019):

Government of Nepal has introduced the National Climate Change Policy with the objective of providing policy guidance to various levels and thematic areas towards developing a resilient society by reducing the risk of climate change impacts. Nepal recognizes the urgency of addressing climate change and has implemented legal measures to mitigate its effects and adapt to the changing climate. This Policy sets out strategies to reduce greenhouse gas emissions and enhance resilience to climate impacts. It has various sustainable development friendly policies such as commitment to use renewable energy sources with practices of optimum utilization.

2.2. Laws on Social Safeguards

In addition to environmental protection, Nepal has also prioritized social safeguards through legislative measures. These laws aim to protect the rights and welfare of individuals, especially marginalized and vulnerable population. The most notable laws include:

i. The Social Welfare Act, 2049 (1992)

This act establishes the Social Welfare Council, which plays a crucial role in coordinating and monitoring social welfare activities. It ensures the efficient utilization of resources for poverty alleviation, social empowerment, and inclusive development. The act focuses on the protection and promotion of the rights of children, women, senior citizens, and persons with disabilities.

ii. The Labor Act, 2074 (2017)

This Act is enacted to safeguard workers' rights and promote decent working conditions and covers various aspects of employment, including minimum wage, workplace safety, and social security. The Labor Act emphasizes the fair treatment of workers, prohibits child labor, and provides mechanisms for resolving labor disputes.

3. Other Policy Measures

Apart from legislative enactments, the government of Nepal has devised several other policies to steer the country towards sustainable development The National Sustainable Development Goals (SDGs) framework aims to tackle a range of interconnected environmental and social issues. Additionally, the Renewable Energy Policy encourages investment in renewable energy sources such as solar and hydroelectric power. The Agriculture Development Strategy focuses on sustainable agricultural practices, including organic farming and integrated pest management.

Also, Nepal Ratra Bank has released the country's first Environmental and Social Risk Management (ESRM) Guidelines for Banks and Financial Institutions in 2018

4 *The Convention on Biological Diversity (CBD) entered into force on 29 December 1993 with three main objectives which are: conservation of biological diversity, the sustainable use of the components of biological diversity, and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources.*

which was updated and revised in 2022. Nepal Rastra Bank's guidelines on ESRM for Banks and Financial Institutions of Nepal is another such step towards meeting SDGs. The core objective of the ESRM Guideline is to require BFIs to integrate Environmental & Social risk management into the overall credit risk management process. [5] Since financial sectors constitute a growth of economy, BFIs have immense potential to influence environmental sustainability and bridge the gaps between development and environmental degradation through their project financing. The Guideline is prepared in order to fully inform the credit authority of environmental and social risks prior to the financing decision regarding individual transactions. The ESRM Guideline sets standards for the identification, assessment, and management of risks and lists acceptable thresholds of environmental and social performance.

4. International Treaties

Nepal has signed, been party to and ratified various multilateral treaties and conventions, participating in global initiatives aimed at addressing challenging environmental issues. Notable multilateral treaties include:

i. United Nations Framework Convention on Climate Change (UNFCCC)

Key provisions of UNFCCC: commitment to tackle climate change through international cooperation, mitigation, adaptation, and funding mechanisms and encouragement of technology transfer to assist developing countries like Nepal.

ii. Paris Agreement

Key provisions of this agreement: aim to limit global warming to well below 2 degrees Celsius, encourage countries to set and achieve ambitious climate targets, promote climate financing and technology sharing.

iii. Human Rights Treaties

Nepal has also confirmed its commitment to safeguarding human rights by signing various international treaties in this domain. Some significant human rights treaties include: Universal Declaration of Human Rights (UDHR) which recognizes the inherent dignity and equal rights of all individuals and emphasizes fundamental freedoms, such as freedom of speech and religion. Agreement signed by Nepal is Convention on the Rights of the Child (CRC) which focuses on the protection and well-being of children

In February 2021, The Government of Nepal has also signed a landmark agreement with the World Bank's Forest Carbon Partnership Facility (FCPF), unlocking up to US$45 million to support Nepal to decrease carbon emissions from deforestation and forest degradation through 2025. With this Emission Reductions Payment Agreement (ERPA) in place, Nepal is expected to reduce 9 million tons of carbon dioxide emissions in the Terai Arc Landscape[6].

5. International Guidelines of Donor Agencies

Donor Agencies have their own guidelines on environmental protection issues while providing grants or loans to development activities. One of the major donor agencies is the World Bank which follows International Financial Corporation's (IFC) guidelines also known as IFC Performance Standards on Environmental and Social Sustainability.

IFC has Performance Standards (PS) designed to help companies manage the environmental and social risks associated with their projects, and to ensure that these risks are mitigated. Various donor-funded projects in Nepal adopt these performance standards for safeguarding. There is total 8 PSs which are as follows:

- PS 1: Assessment and Management of Environmental and Social Risks and Impacts
- PS 2: Labor and Working Conditions
- PS 3: Resource Efficiency and

5 *https://www.nrb.org.np/contents/uploads/2022/02/Final-ESRM-with-cover.pdf*

6 *https://www.worldbank.org/en/news/press-release/2021/02/26/nepal-and-world-bank-sign-innovative-financing-agreement-on-forests-and-climate-change-for-building-back-greener (Accessed on 29/12/2023)*

Pollution Prevention

- PS 4: Community Health, Safety, and Security
- PS 5: Land Acquisition and Involuntary Resettlement
- PS 6: Biodiversity Conservation and Sustainable Management of Natural Resources
- PS 7: Indigenous Peoples
- PS 8: Cultural Heritage

6. Safeguard Documents in Practice

Various documents are prepared to document the plan and execute the safeguarding measures in infrastructure and economic development projects.

- EIA Report - The Environmental Impact Assessment (EIA) process ensures that development projects adhere to strict environmental standards.
- ESIA Report - Environmental and Social Impact Assessment (ESIA) is a comprehensive document of a Project's potential environmental and social risks and impacts.
- ESHSMP - Environmental, Safety, and Health Strategy and Management Plan is to ensure safety of workers and communities affected by the project during implementation. The ESHSMP is designed to provide practical guidance for managing engineering works in ways that safeguard the environment and people. Components of ESHSMP are: Construction site management, Health & Safety obligations, Social safeguards required by the project, Environmental Safeguards (physical and biological), Waste Management, Monitoring, Reporting and Enforcement process, Safety Absolutes, Stakeholder Engagement Plan (SEP) including Grievance Redress Mechanism, Communication Plan etc.
- SGIP Social and Gender Integration Plan (SGIP), which provides a comprehensive roadmap for social inclusion and gender integration throughout the development projects.
- Trafficking in Person (TIP) Risk Management Plan, which provides plan for ensuring no one shall commit or cause to commit human trafficking and transportation in the development works too.

7. Conclusion:

Nepal is a multi-racial, multi-lingual, multi-cultural and multi-religious country. Nepal's legal framework for sustainable development encompasses various policies, legislative measures, and guidelines reflecting national commitment to fostering a sustainable future. As the country continues to evolve in global environmental need, social evolution, cultural diversities and political stability, its legal framework will play a crucial role in shaping its path towards environmental preservation, social well-being, and economic prosperity of the country.

Nepal's participation in international treaties are remarkable commitments and highlights its commitment to global cooperation, sustainable development, and human rights. These agreements provide a platform for Nepal to engage with the international community and address shared challenges. Through bilateral, multilateral, and human rights treaties, Nepal continues to contribute to a more harmonious and equitable world where economic growth will respect co-existence and collaboration with nature and all stakeholders. In Nepal, there is no shortage of environmental laws and procedure however their implementation needs to be improved to attain sustainable development.

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Sustainability Accounting Standards

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Abstract

The concept of sustainability guides entity to understand the correlation between environment, society, governance (ESG) and entity's operations. Sustainability Accounting Standards link investors and businesses with financial effects of sustainability. These standards define the need for identification and prescribe methods for disclosure of sustainability related risk and opportunities those are useful for decision making needs of users of general-purpose financial statements. For standardization and uniformity of Sustainability Disclosure Standards the International Sustainability Standards Board (ISSB) has issued IFRS S1 and IFRS S2. IFRS S1 discusses disclosure of information about entity's sustainability related risks and opportunities to the users of general-purpose financial reports for investment decision making. IFRS S2 discusses disclosure of information about entity's climate related risks and opportunities to the users of financial reports. As the developed countries making sustainability reporting mandatory, Nepal faces difficulties in enforcing such reporting and must prioritize promoting voluntary adoption through awareness, guidelines, and skill development.

1. Introduction

Sustainability accounting focuses on environmental, social and governance (ESG) accounting, beyond traditional financial reporting. An entity operates in an interdependent system, there are interactions between an entity, its stakeholders, society, economy, and natural environment. The interdependencies and relationships between these factors generate sustainability related risks and opportunities to an entity.

ESG have become an integral part of business operations because the corporate world tends to align their operations with sustainable practices. These considerations are emerging concepts that are reflected in planning and decision making of entities. This concept strengthens understanding corporate responsibility and identifies methods to have affirmative impacts towards environment. Sustainability requires an entity to understand its position and evaluate how well the entity evaluates its governance procedures to manage non-financial risks, contribute towards sustainable development and how well its stakeholders are informed. In ESG, 'E' advocates the environmental impacts of an entity, including energy, waste management, carbon emissions and compliance with environmental regulations. 'S' advocates social factors such as employees, communities, labor practices, inclusion and human rights. 'G' advocates governance practices of an entity such as structure of board of directors, executive management, transparency & ethical decision-making practices in entity, share holders' rights and overall corporate governance practices.

2. Sustainability Accounting Standards: IFRS S1 and IFRS S2

Sustainability frameworks and standards provide principal guidance and detailed requirements to be reported for each disclosure topic. These standards prescribe methodology for preparation and reporting sustainability related financial disclosures. For standardization and uniformity of Sustainability Disclosure the International Sustainability Standards Board (ISSB) has worked for consolidation of market-led investor-focused sustainability reporting initiatives that includes.

i. Sustainability Accounting Standards Board (SASB) Standards
ii. Task Force for Climate-related Financial Disclosures (TCFD) Recommendations
iii. Integrated Reporting Framework
iv. Climate Disclosure Standards Board (CDSB) Framework

In August 2022, ISSB of IFRS Foundation assumed responsibility for SASB Standards. SASB Standards play a significant role in the implementation of IFRS Sustainability Disclosures Standards. ISSB has issued IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2: Climate related Disclosures as IFRS Sustainability Disclosures Standards. SASB Standards enables organization to disclose material information about sustainability related risks and opportunities to facilitate users of financial information in decision making as well as provide industry-based disclosures about sustainability-related risks and opportunities of disclosure topics that could affect the entity's cash flows, access to finance or cost of capital over the short, medium, or long term. These standards support understanding the peculiarity of the inter-related exchange relationship between an entity and environment where the entity operates. The environment possesses sustainability related risks and opportunities, which could affect current operation as well as prospects of an entity. SASB has issued 77 industry-based guidance in accordance with IFRS S2.

3. IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information

The objective of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is *"to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity."* Before we initiate discussion on disclosure requirements of IFRS S1, we need to understand what sustainability related risks and opportunities mentioned in the objective of IFRS S1 means and how this understanding would support compliance with disclosure requirements. An entity is closely related with an environment, operations of an entity have dependencies on the resources of environment and the actions that have impacts on the resources of environment. The relationship between entity and resources could have favorable or unfavorable impacts to each other in different time horizons and conditions. These relationships can affect an entity's performance, value, financial returns, and obligations. This relationship can be well understood with an example of an entity which business model is to operate on water as its major input for operation and production. With the change in quality, availability, cost, pricing, and revenue from water, the operation of the company would be affected. Adverse impacts of entity in locality would require complying with stricter regulations by the entity, which increased compliance costs, penalties, reduced returns, and deteriorate in enterprise value. This is how, environment possesses sustainability related risks and opportunities to the entity and the impacts of entity to resources would have consequences to the entity itself.

IFRS S1 requires an entity to disclose material information about its significant sustainability-related risks and opportunities, in an environment it is operating and to which an entity is exposed. The disclosure of sustainability related financial information is required to be complete, neutral, and accurate. Disclosure of information supports users of financial information to understand impacts of sustainability-related risks and opportunities on entity's enterprise value. This standard prescribes requirements for disclosure of sustainability related financial information and disclosures required to be made to the users of financial report to facilitate in decision making in relation to providing resources to the entity. The application of this standard is acceptable for the financial statements prepared in accordance with IFRS or other GAAP.

As per the requirement of this standard, an entity should make disclosures related to governance, strategy, risk management and metrics & targets of an entity in relation to the sustainability related risks and opportunities, which are given as follows.

A. Governance

The standard requires disclosure on governance to make users of financial information understand governance processes, controls, procedures used to monitor and manage sustainability-related risks and opportunities. Management plays various roles in the operation of an entity, and it is required to disclose roles played by management for assessment, identification and management of sustainability related risk and opportunities. Entity should make disclosure about management's skills and competencies to respond sustainability related risks and opportunities, communication system, management's targets & progress, delegation of authority to interoperate with internal functions.

B. Strategy

The standard requires disclosure on strategy to make users of financial information to understand an entity's strategy for understanding sustainability related risks and opportunities. The entity is required to disclose strategies regarding significant sustainability related risks and opportunities that could affect business model, strategy related to cash flows, its access to finance and cost of capital over the different time horizon. Further, an entity is required to disclose effects of those strategies on business model, value chain, decision making, effects on financial position, financial performance & cash flows and resilience of its strategy.

C. Risk Management

The standard requires disclosure on risk management to make users of financial information to understand an entity's process for identifying, assessing and managing sustainability related risks and opportunities. The disclosures are to be made in a manner so that the users of financial statements can make a comparative study whether these risk management procedures are integrated with the entity's overall risk management process or not. An entity shall disclose the process for identifying, managing, monitoring and prioritizing sustainability related risk and opportunities to attain risk management objectives.

D. Metrics and Targets

The standard requires disclosure on metrics and targets to make user of financial information understand how entity measures, monitors its significant sustainability related risks and opportunities and entity's assessment of its performance for attainting the set target. This disclosure requires a calculative approach to define metrics to measure sustainability risks or opportunities and metrics for measuring performance of actions and progress to attain the targets set. An entity can apply best suited specific sustainability-related risks or opportunity metrics those are defined in other IFRS Sustainability Disclosure Standards or in absence of such standards entity can develop metrics by itself. Management should use estimates and judgements in designing and implementing metrics. Management should ensure that the disclosures should be relevant in decision making needs of users, neutral and faithfully represent the entity's risk or opportunity.

This standard requires an entity to disclose its targets to assess progress in achieving its strategic objectives. Such disclosures mention the metrics used, base period for commencing to measure targets & progresses and applicable period of the target. Further, an entity shall disclose periodic progress, deviations in outcomes in comparison with the targets, and need for revision for the target.

IFRS S1 requires entity to disclose material sustainability related information to have qualitative characteristics of the information i.e. relevant and faithful (fair) representation. Information would be relevant when it is comparable, verifiable, timely and understandable. There should be a linkage between sustainability related information with the information of general-purpose financial statements. The frequency of reporting for sustainability related financial disclosure is the same as that of related annual or periodic general purpose financial statements. This standard requires an entity to disclose information as per IFRS Sustainability Disclosure Standards as a part of general-purpose financial statements reporting.

4. IFRS S2: Climate related Disclosures

The objective of IFRS S2: Climate related Disclosures is "*to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decision relating to providing resources to the entity.*" The focus of IFRS S2 is to disclose climate related risks and opportunities of an entity. Climate related risks include physical and transition risks to an entity.

Physical risks are normally induced from weather, climatic conditions, natural calamities and geographic conditions those could cause disruption in operations of entity and damages to physical assets causing adverse impacts in financial performance, profitability, and financial position of an entity. Physical risks can be well understood with an example of mustard oil processing company. In the case of mustard oil processing company, the oil production could be disrupted by weather and climatic conditions i.e. storm and could cause delayed harvesting and deterioration in quality. Consequently, such events could cause a significant decrease in revenue of the entity, physical damage of processing plant resulting in capital expenditure for repair as well as loss of revenue during downtime for repair. For mitigation of such climate related risk entity would formulate strategy, redesign harvesting system to increase resiliency and reduce such climatic disruptions.

Transition risks on other side of climate related risks, are induced from technology transition risks, regulatory transition risks (policy & legal) and market transition risks. Technology transition risks arise when an entity is exposed to a change in technology or technological breakthrough causing adverse impact on demand of products and resulting in fall of entity's market shares, its profitability and deterioration in financial position. Regulatory transition risks arise from implementation of new laws and an entity's exposure to legislative and legal requirements that are likely to create financial obligation to an entity. And market transition risks arise from a fall in consumers market demands causing significant decrement in financial performance and deterioration in the financial position of an entity. Transition risks can be well understood with the example of a transportation company. In the case of the transportation company, the vehicles causing carbon emissions are likely to be regulated by the government and this change in law would create financial obligation to the company. The company's governance methodology and strategy to cope with regulations on carbon emission are subject to disclosure as per IFRS S2. Further disclosures necessitated by IFRS S2 are the company's strategy which could be replacing old vehicles or acquiring electric vehicles for various time horizons, i.e. short, mid, or long term. Likewise, in long run, for similar industries, green house and carbon gas emissions would be subject to stricter regulations causing significant financial impacts to the industries such as increase in operation costs, capital expenditures, probable government penalties due to non-compliance of the regulations.

In identifying climate related risks and opportunities entity could check relevance and applicability of industry-based disclosure topics in accordance with Industry-based Guidance on Implementing IFRS S2. This standard requires an entity to make the following disclosures on governance, strategy, risk management and metrics & targets in relation to climate related risks and opportunities.

A. Governance

The standard requires disclosure on governance to make users of financial reports to understand governance processes, controls, procedures used to monitor, manage, and oversee climate-related risks and opportunities. This standard requires additional disclosure on oversight of sustainability related risks and opportunities, so had the disclosure been made on an integrated basis in accordance with IFRS S1 then separate disclosures in accordance with IFRS S2 could be avoided.

B. Strategy

The standard requires disclosure on strategy to make users of financial report to understand an entity's strategy for managing climate related risks and opportunities.

An entity is required to disclose information regarding climate related risks and opportunities that could affect entity's prospects, business model, value chain, and decision making about climate-related transition plan and climate resilience.

C. Risk Management

The standard requires disclosure on risk management to make users of financial reports to understand an entity's process for identifying, assessing, prioritizing, and monitoring climate related risks and opportunities. Also, disclosures should be made to inform users of financial statements whether the climate related risks management system has integration with entity's risk management system or not.

D. Metrics and Targets

The standard requires disclosure on metrics and targets to make user of financial report understand how an entity perform in relation to its climate related risks and opportunities. Further, disclosures related to progress towards the targets set by an entity and regulatory obligation to meet any targets should be made by an entity. Such disclosures should be presented as climate related metrics and climate related targets.

The disclosure for climate related metrics requires an entity to disclose information related to cross industry metric categories on the issues related to greenhouse gases, climate related transition risks, physical risks and opportunities, capital deployment, internal carbon pricing and remuneration. For greenhouse gases issues, an entity is required to disclose its absolute gross greenhouse gas emissions generated during the reporting period expressed in terms of metric tons of CO_2 equivalent and is to be classified as scope, 2 and 3. Further, an entity is required to measure its greenhouse gas emissions based on the Greenhouse Gas Protocol: A corporate Accounting and Report Standard (2004). But, if the measurement is necessitated by other laws or stock exchange requirements, then the prescribed method should be prioritized to be followed. An entity is required to disclose an approach to measure its greenhouse gas emission. This includes measurement approach, inputs & assumptions, the reason of choosing and any changes made by entity to measure its greenhouse gas emissions. Regarding climate related transition risks issues, an entity is required to disclose proportion of assets and business activities vulnerable to climate related transition risks. For climate related physical risks issues, an entity is required to disclose proportion of assets and business activities vulnerable to climate related physical risks. An entity is also required to disclose proportion of assets and business aligned with climate related opportunities. Under the requirements of capital deployment issues, an entity is required to disclose the amount of capital expenditure deployed towards climate related risks and opportunities. For internal carbon pricing issues, an entity is required to disclose how an entity applies carbon pricing for decision making related to investment, transfer pricing and research. And for remuneration issues of climate related metrics, an entity is required to disclose how it incorporates climate-related considerations in determining executives' remuneration.

An entity shall follow and disclose industry-based metrics associated with particulars business model that represent participation in an industry. While determining industry-based metrics, an entity shall consider applicability of the industry-based metrics associated with disclosure topics defined in Industry-based Guidance on Implementing IFRS S2

The disclosure for climate related targets requires an entity to make disclosures of quantitative and qualitative climate related targets it has predetermined to evaluate progress in achieving strategic goals and other targets to be complied with, as per the statutory requirements. Such targets include greenhouse gas emissions target. Further, an entity is required to disclose the information below for each target.

i. Metrics applied to define target,
ii. Goal, scope, duration and base period of measuring progress of target,
iii. Define if the target is quantitative, changes to the targets due to external factors such as international agreement on climate change.

An entity is required to disclose information about its performance and procedures to monitor progress against each climate related target. For each greenhouse gas emissions target an entity shall disclose.

i. Which greenhouse gas target among Scope 1, Scope 2 or Scope 3 gas emissions are covered by target,
ii. Greenhouse gas emissions target are gross greenhouse gas emissions target or net greenhouse gas emissions target,
iii. Entity has planned use of carbon credits for offsetting greenhouse gas emission so as to achieve net greenhouse gas emissions targets.

5. Challenges Relating to Application of Sustainability Accounting Standards in Nepal

Nepal is currently struggling for full implementation of Nepal Financial Reporting Standards (NFRSs). So far, listed public companies and entities having economic significance have partially implemented NFRSs with several carveouts and deferrals. In such scenarios, orientation and implementation of Sustainability Accounting Standards would be much more challenging. Besides, most of the organizations are Small & Medium Entities (SMEs) and Micro Entities (MEs) in Nepal, these entities have not been able to implement NFRS for SMEs and NAS for MEs for the first time. The implementation of these standards has been deferred for several years and has been scheduled to be implemented from financial year 2080-81 (2023-24), however the successful full implementation is still skeptical. In such a condition where full implementation of accounting and reporting standards is not attained, implementation of Sustainability Accountability Standards would not be a priority of Nepalese organizations. Besides this, collection and processing of data and information on sustainability practices, setting sustainability goals, measuring sustainability disclosures and reporting are major challenges. Necessity to incur additional costs, allocation specific resources, increased engagement of top management for sustainability reporting would increase resistance among Nepalese entities and managements for implementation of Sustainability Accounting Standards.

The practices of developed countries have shown that they are in process of making sustainability reporting mandatory by enforcing laws and regulations, however we would face difficulty to enforce sustainability reporting as mandatory requirement. Although there is a prospect that we can encourage Nepalese entities with economic significance to implement Sustainability Accounting Standards voluntarily. But before that, orientation and understanding of sustainability standards, issuing standards & guidelines by Nepalese accounting body, preparation of skilled manpower, educating the benefits of sustainability reporting to the entities should be highly promoted.

6. Conclusion: Sustainability Accounting Standards for Companies and Investors

IFRS S1 and IFRS S2 are issued by the International Sustainability Standards Board in June 2023. ISSB has required an entity to apply these sustainability standards for annual reporting periods beginning on or after January 1, 2024.

Climate changes, resources constraints and technological innovations has created challenges and opportunities to business affecting their long-term sustainability and investors need to understand affects of these issues to companies and their investment decision making. SASB Standards guides companies to identify, measure and manage sustainability-related risks and opportunities that directly affect cash flows, access to finance and cost of capital. Investors need to evaluate the management system of companies' sustainability related risks and opportunities, they need comparable, uniform, standardized data for investment decision making and SASB standards help to address these needs of investors. Nepal would face many difficulties while SABS standards. In this context, ICAN must prioritize promoting voluntary adoption through awareness, guidelines, and skill development.

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Hydropower Industry in Nepal: Adequate Resources but Unutilized sector?

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Introduction

Hydropower is a renewable form of energy harnessed from water to generate electricity. It involves converting the energy of flowing water into electric power. The generation of hydropower can be done by building dams on rivers and using the stored water to produce power. A dam creates a reservoir, and water released from it flows through turbines to generate electricity. Another type of hydro-projects are of the Run-of-River (RoR) type. This type does not require building a high dam but uses the natural flow of rivers by diverting water through turbines to generate electric power.

Construction work at Upper Trishuli 3B Hydropower (37 MW) Project

History of Hydropower Generation

In the 19th century, French engineer Benoit Fourneyron developed the first hydropower turbine. The device was implemented in the commercial plant of Niagara Falls in 1895 and it is still in operation. In the early 20th century, an English engineer William Armstrong built and operated the first private electrical power station in Cragside in Northumberland, England. This was a century that had witnessed rapid innovations and changes in hydropower facility design. The policies enacted by U.S. President Franklin Roosevelt in the 1930s, supported the construction of several multipurpose projects such as the Hoover and Grand Coulee dams with hydropower accounting for 40 percent of the country's electricity generation by 1940.

From the 1940s to 1970s, mainly after World War II, a period marked by strong post-war economic and population growth, state-owned utilities built major hydro projects throughout Western Europe, as well as the Soviet Union, North America and Japan. At the end of the 20th century, Brazil and China had emerged as world leaders in hydropower. The Itaipu Dam, straddling Brazil and Paraguay, which began generating in 1984 with a capacity of 12,600 MW has since been upgraded to 14,000 MW and is today only eclipsed in size by the 22,500 MW Three Gorges Dam in China. Between 2000 and 2017, nearly 500 GW hydropower installed capacity was added worldwide, representing an increase of 65 percent, with growth since 2010 already outstripping that recorded in the first decade of the century.

In Nepal, the first hydropower plant was built at Pharping (500-KW) in 1911, 29 years after the world's first plant i.e Vulcan Street Plant powered by Fox River in Appleton , Wisconsin, USA in 1882 was established during the reign of Prime Minister Chandra Shamsher

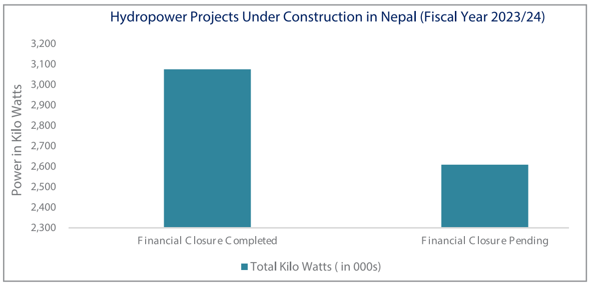
Rana to meet the energy requirements of the members of the ruling class. The first hydropower plant in India was established in 1898 in Darjeeling and the first hydropower plant in China was established in 1912. The second hydropower plant (640 KW) was built at Sundarijal in 1936. This was followed by other plants such as the Morang Hydropower Company which was established in 1939 that had built 677 KW Sikarbas Hydro plant at Chisang Khola in 1942. This plant was destroyed by a landslide in the 1960s.

Hydro development was institutionalized after Nepal began periodic planning. The First Five-year Plan (1956-61) had targeted to add 20 MW of hydropower. In 1962, Nepal Electricity Corporation (NEC) was established and was given the responsibility of transmission and distribution of the electricity. The Electricity Department was responsible for generation. The hydropower generation capacity was expanded after Nepal added the Panauti Hydroplant (2400 KW) in 1965 and the Trishuli Hydroplant (24000 KW) in 1967.

Some institutions were established to develop hydropower such as the Eastern Electricity Corporation (1974) and the Small Hydropower Development Board (1977) all of which merged and resulted in creation of Nepal Electricity Authority (NEA) in 1985. This was when the Electricity Department, Nepal Electricity Corporation and all development boards (except the Marshyangdi Hydropower Development Board) were brought under the NEA umbrella on 16 August 1985. Thereafter, the NEA has been responsible for the generation, transmission, and distribution of electricity. Other public sector institutions involved in the hydropower sector include Water and Energy Commission and its Secretariat constituted in 1976, the policymaking body established in 1981, and the Department of Electricity Development. The private sector began investing in hydro development since 1992and has now emerged as an important player in generation. The NEA now purchases electricity from Independent Power Producers (IPPs) and sells it to the public, as it still remains a monopoly seller.

Hydropower production status (2023/24)

According to the NEA Annual report F.Y. 2080/81 (2023/24), 115 hydropower projects have been selling power to the utility and 103 other projects with power purchase agreements (PPAs) have yet to begin commercial operations.

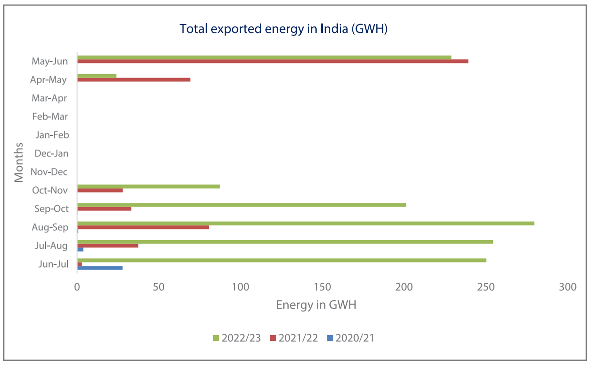


Source: NEA 2023/24

The above table shows electricity production in 2023/24 , including projects with financial closure and those without. The production stood at 3.07 million Kilowatts (KW) and projects under construction were expected to add another 2.6 million Kilo Watts by next 10 years.

The production, however, remains much below the theoretical generation potential of approximately 83,000 MW i.e. 83 Million Kilowatts or just 3.74% of the potential. This will increase to 6.84% after all projects under construction begin power production.

Therefore, there is still much more electricity that Nepal can generate, which, with the right approaches, can also be exported mainly to neighboring countries such as India, China and Bangladesh. Nepal is already exporting some electricity, which is shown in the following table.



Source: NEA 2023/24

The table shows total energy exports to India in three fiscal years, which has remained highest for fiscal year 2022/23 (CONVERT). But the present export is only a speck given the large demand for power in northern India that is already buying electricity, and also that in other neighboring countries such as Bangladesh and China. As per article published in Economics Times by India Times dated 01.01.2023, the power deficit in India stands at 5,691 Million KWH for the period of April to November 2022. Furthermore, as per report published by CNN Business dated 30.06.2021, the china is facing its worst power shortage in a decade. Both of which indicates that there is huge market potential for electricity generated in Nepal in India and China. There are, however, other management related matters that need to be resolved particularly transmission systems before Nepal will be able to fully export the power it can generate. In addition, there also are various challenges that the country will need to tackle for ensuring sustainable supply of electricity for export, some of which are discussed below.

a) Geological Risks

Nepal is situated in a seismically active region, and the construction of hydropower infrastructure is susceptible to earthquakes. Ensuring the resilience of dams and other structures to seismic activities is a major challenge that could affect the output from hydro-projects. Additionally, Nepal is prone to natural disasters such as floods and landslides that can adversely affect hydro projects.

b) High Initial Costs

The construction of hydropower projects involves high initial capital costs. Securing funding for projects can, therefore, be challenging, particularly for a developing country like Nepal, with policies for attracting investment still in need for further enhancements.

c) Environmental Impact

Large hydropower projects can have significant environmental impacts, including changes to river ecosystems, displacement of communities, and alteration of natural water flows. Balancing energy production with environmental management is a major challenge that has so far remained largely ignored. However, when the number of projects increase, this could emerge as a major challenge.

d) Social Displacement and Resettlement

The construction of dams and reservoirs often requires displacement of local communities. Proper resettlement plans and addressing the social impacts of such displacement are also critical. Managing community and local expectation and resettlement have already emerged as issues at some major project sites.

e) Climate Change and Seasonal Variability

Climate change can affect precipitation patterns and water availability, impacting the reliability of hydropower generation. Adapting to these changes and ensuring the resilience of hydropower infrastructure is a growing challenge. This is particularly important given the seasonality already observed in hydro production in Nepal.

Hydropower generation is dependent on water flow, which varies seasonally, resulting in low production the dry seasons that causes problems in meeting the energy demand. This can be critical for exporting electricity because buyers expect reliable supply if they are to pay for something. Further, Nepal also has high production in the rainy season, and would have to spill the power if there are no users for the power generated. Therefore, addressing seasonal variation in supply is a critical factor that needs to be resolved for ensuring sustainable growth of the sector.

f) Transmission and Distribution Infrastructure

Developing the necessary infrastructure for transmission and distribution infrastructure is critical for supplying power to centers where it can be used. Building transmission and distribution systems requires high investment, which explains why electricity exports have yet to reach the full potential. Building transmission lines is also difficult because of government policy that does not compensate people adequately for land used for building transmission towers. This is an issue that has come up in Nepal time and again.

g) Land Acquisition

Acquiring the necessary land for hydropower projects can be complicated, especially in regions with competing land uses and diverse ownership structures. Resolving land acquisition issues is often a time-consuming process. Further, the government of Nepal has prescribed a limit of 36,628.76 sq m of land that can be owned by a company. In excess of above land, approval from the ministry is required, which is one of the most time-consuming process.

h) Regulatory Challenges

The political landscape can impact the development of hydropower projects. Regulatory uncertainties, changes in government policies, and issues related to project approvals and permits required in different stages of construction have resulted in challenges for investors and developers. The frequent changes in government and the policies they announce can cloud the investment climate and deter investors from putting their money in hydropower, which is generally a long-term investment that can flourish only when there are stable, predictable policies.

i) Technical and Managerial Challenges

Most of Nepal's hydro projects are of the RoR type, but the country has also started building storage dams. The Himalayan rivers carry heavy sediment loads and over time, the accumulation of silt in reservoirs can reduce the effective storage and efficiency of hydropower projects. Silt management is a recurring challenge that requires regular maintenance.

The construction and maintenance of hydropower projects require advanced engineering expertise. Ensuring the technical feasibility, safety, and efficiency of projects is always challenging. Effective operation and maintenance of hydropower plants are crucial for long-term sustainability. However, there are challenges in operation and maintenance owing to the remote location of projects, adequate availability of skilled personnel, and the capacity to carry out regular inspections.

Reasons for Pursuing Hydropower Development

There are challenges but there also are strong reasons for hydropower development, which are discussed in the following paragraphs.

a) "Green" Power for the Region

The availability of the resource for generating electricity and the topography of the country makes Nepal ideal for hydro production. The availability of huge markets – potential consumers – for hydropower in the neighborhood has made it a marketable service, in both the South Asia region and China. India and China also generate power, but hydro could provide them an alternative for undertaking "green" production to match the growing expectations of consumers globally. This is because hydro-production produces lower greenhouse gases compared to energy generation using fossil fuel-based generation plants. All this is advantageous for Nepal as a supplier of hydropower. However, Nepal would also need to do much in terms of reviewing policies and laws for attracting investment and building transmission infrastructure to make hydro sales possible.

b) Flood control

Another advantage Nepal has as an upstream nation to India is providing flood control services. Even though this service is rarely articulated in agreements, the regulated flow of rivers during the rainy seasons can result in valuable flood control service downstream, which Nepal as an upstream country can provide.

c) Low Operating Costs:

Once a hydropower project is built, the operating and maintenance costs are generally lower compared to other forms of energy generation. This can contribute to long-term economic benefits for Nepal. As per Audited Financials for FY 2078/79 of Upper Tama Koshi Hydropower, the revenue of the company is NPR 7,116.78 Million whereas the plant operation and maintenance cost is NPR 7.49 Million. It indicates that only a 0.10% of total gross reveneue has been expensed for plant operation and maintenance.

d) **Long Lifespan of Hydropower Infrastructure:** Hydropower plants have a relatively long lifespan, often exceeding 50 years with proper maintenance. This longevity ensures a stable and enduring source of energy for the country. For an example, Simo n Bolívar Hydroelectric Plant, also known as Guri Dam of Venezuela has started its operation in 1976 and still in operation. Trishuli Hydropower Station started its operation in 1976 and still in operation.

Conclusion

Nepal has a huge potential for hydropower generation. For a landlocked, mountainous country with no known fossil fuel deposits, this is its only source for generating energy, which is also what makes it important. However, despite some successful efforts to use water resources for generating electricity, Nepal has not been able to fully exploit the potential to generate resources for economic development. Of the nearly 80,000 MW hydropower potential, at least 42,000 MW is said to be technically and economically feasible. However, Nepal has managed to generate only a very small proportion of the feasible power and over 60% population do not have access to grid connected power, owing to the poor transmission and distribution infrastructure. The annual growth of power demand (grid connected) is over 10% and there still is a shortage of energy during the dry months, which is why Nepal has to continuing producing more power and building more transmission networks.

Hydropower production in Nepal is a story of potential and underperformance, given the supply shortages, reliability issues, and poor access to electricity, while there is an enormous potential that still remains untapped. Adequate supply of reliable energy is a precondition for development and progress. But Nepal's power sector has remained trapped in a low-level investment equilibrium, the only path to exit from this is injection of public, domestic private, and external agency investment in hydropower development. For instance, we can take example of Upper Tamakoshi Hydropower. The construction of Upper Tamakoshi has begun in Febraury, 2011 and the construction completed in May 2021. It takes a period of almost 10 years to construct. One of the big reason for such delay from original estimated completion date of July, 2018 is due to shortage of fund resulting by delay release of loan from banks and financial insitution As today it stands, the country neither has financial resources nor technical know-how required for exploiting the hydro potential to full advantage.

For large scale investment in hydropower projects, Nepal needs to attract both foreign sovereign and private investments and also develop markets for power sale. Both India and China have been negotiating with Nepal for possible investment in large hydropower projects, which is required for green development of the neighborhood. Therefore, Nepal needs to consider joint venture investments in large hydro projects in countries that also have large markets for the electricity produced. Nepal can be one of the major exporter of green in the region and the revenue from sales can be used to fund projects to bring economic prosperity and generate funds for education, healthcare, housing, agriculture and infrastructure.

Hydropower production has potential to change Nepal's economic outlook, but it must be noted that it is not a risk-free pathway. Nepal lies on major geological fault lines and is prone earthquakes. Therefore, care must be taken to ensure adequate risk mitigation in selecting sites and building infrastructure, while also taking measures to minimize harm on the physical environment. Most Himalayan Rivers contain huge quantities of sediment and therefore, measures must also be taken to ensure sediment management as it can increase when the physical environment is damaged. Sediment management is not only important for hydropower. Erosion and excessive human-induced erosion can also affect the life of other infrastructure (roads, bridges, irrigation systems and drinking water).

Proper development of hydropower, therefore, has the potential to influence Nepal's developmental outcomes, but this must be done with care to ensure that it results in greater long-term benefits. This can be attained by ensuring that the risks are managed and minimized while the development is still manageable.

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"Nepal's Macroeconomic Landscape: A Transition from COVID-19 Disruption to Recovery"

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Introduction

In the wake of the Coronavirus (COVID-19) pandemic, Nepal, like the entire world, faced significant economic challenges. The aftermath of the pandemic saw Nepal grappling with a complex economic landscape, raising questions about the country's recessionary status. This article aims to discuss Nepal's economic terrain during and after the pandemic and the interplay of circumstances that contributed towards shaping where the country now stands.

Distinguishing the COVID-19 crisis from previous economic disturbances, such as those witnessed in 2008 and, say, even during the Great Depression, reveals fundamental disparities. Prior economic downturns were often identified as endogenous crises, where financial speculation had led to the formation of asset bubbles. The economic disruption resulting from COVID-19 was an exogenous crisis, as it was a result of disrupted supply chains and demand, independent of inherent economic mechanisms or financial speculation.

Post-2008, advanced economies were severly affected by larger asset bubbles, while less developed ones were less impacted. After the COVID-19 pandemic, less developed countries suffered tougher shocks due to inadequate health measures, weak social safety nets, and heavy reliance on "high-contact" service sectors that were badly affected such as tourism and hospitality, retails and transportation. Further, a distinctive characteristic of the COVID-19 crisis was that tackling it through national efforts was inadequate and its mitigation required global coordination and cooperation, highlighting the interconnectedness and interdependence of nations in th 21st century.

Management responses to economic shocks during the pandemic

The Government of Nepal had enforced stringent measures (lockdowns) from March 2020 to July 2020, allowing only essential services to operate as a measure to control the spread of infections. This severely affected most economic activities. Industries that rely on extensive physical interactions, such as tourism, restaurants, transportation, and the retail sectors experienced substantial disruptions as both supply and demand collapsed simultaneously. The critical blow suffered in these "high-contact" sectors was something that was largely unanticipated and the resulting early shocks were followed by an economic downturn. The government response was to introduce emergency relief measures leading to expansion of money supply and credit availability. As a result, price of most assets (stocks and assets such as housing) experienced remarkable increases despite the relative under performance of the real sectors.

The spread of COVID-19 and the lockdown measures disrupted the cash flows of businesses and industries. Subsequently, the low cash flows rendered certain businesses incapable of meeting their loan repayment obligations. Consequently, the Non-Performing Loans (NPL) and Loan Loss Provisioning (LLP) rose sharply during fiscal year 2019/20 compared to the year before. To offer relief to affected businesses, the Nepal Rastra Bank (NRB) directed Banks and Financial Institutions (BFIs) to implement measures such as deferrals, interest payment discounts, and to restructure and reschedule loans. These measures assisted BFIs in mitigating the pandemic-induced shocks to some extent.

Imports constitute over 36 percent of the Gross Domestic Product (GDP) in Nepal. In 2019/20, the import-to-GDP ratio was reduced to 30.6 percent, indicating a comparatively reduced availability of consumables. The decline in imports had resulted mostly from restrictions on movement and trading activities during the pandemic. As the availability of imported goods decreased due to restrictions or reduced movement and supplies declined. The increase in demand and low supply at given prices caused price levels to increase. Inflation rose to 6.15 % in FY 2019/20 compared to 4.64% in the same period a year ago.

The decrease in imports by 15.6% and increase in exports by 0.6% caused the trade deficit to narrow by 16.8% in FY 2019/20, to result in a Balance of Payments (BOP) surplus of NPR 282.41 billion in FY 2019/20, a substantial upturn from the NPR 67.40 billion deficit recorded in the previous year.

The pandemic-induced economic uncertainties and risk aversion between lenders and borrowers lowered the appetite for undertaking new ventures or expansions. Businesses became careful about obtaining additional debt to account for the uncertainties resulting in a lowered demand for loans.

To address this situation, the Nepal Rastra Bank implemented policies aimed at stimulating borrowing, lending, and investment. In an effort to counter the hesitancy of borrowers, the central bank reduced benchmark rates. This was done with the intention of making borrowing more attractive by lowering the cost of funds for businesses. Some of the policy measures taken by NRB to address the impact of COVID-19 were:

- Cash reserve ratio was reduced from 4% to 3%.
- Bank rate was reduced from 6% to 5%.
- Repo rate under the interest rate corridor was lowered.
- The credit to capital and deposit (CCD) ratio was raised from 80% to 85%.
- BFIs were allowed to disburse additional term loans and working capital loans to businesses. Under this provision, the businesses obtained additional 20% of the working capital loans and additional 10% of the term loans to meet their operational expenses.

As result of the cheaper credit and relaxed repayment terms caused imports to increase by 28.7% and exports by 44.4 % in FY 2020/21.

Nepal's economy relies heavily on revenues from imports, tourism incomes and remittances from Nepalis working abroad. At the national level, remittances play a crucial role in managing external payments and enhancing foreign reserves.

The projections was that remittances would decline owing to the COVID-19 impact on migrant workers, where many were expexted to lose their jobs. However, contrary to the predictions, FY 2019/20 saw only a slight 0.5% decrease in remittance inflows to NPR 875.03 billion, a major shift from the previous year's 16.5% increase. Remittances increased again FY 2020/21, by 9.8%. This is because the effect of the pandemic was relatively milder in the Persian Gulf countries, where a significant proportion of Nepali migrant workers were employed and also, possibly, because the informal channels for sending money home were disrupted. Further, the travel restrictions and lockdowns also led to transformation of certain remittances into currency transfers, which in the past had also occurred in kind.

Throughout the COVID-19 pandemic, NRB had taken on a facilitative role rather than tha of a traditional regulator. What stood out during the period was the increased use of the digital payment system, and the point of departure towards a cashless payments in Nepal.

Post-COVID economic management

Domestic demand rose strongly fueling investment and growth after the pandemic restrictions were lifted. The decrease in imports during the pandemic started had resulted in significant foreign exchange reserves and the government had also made provisions for concessional loans to support recovery efforts. However, imports rose sharply to reduce the reserves to pre-pandemic levels. NRB policy space to support to small and medium-sized businesses through refinancing options, eased loan repayment terms and relaxed lending criteria had helped keep the cost of capital low leading to a boom in borrowing.

The continued high demand for loans required the NRB to inject more liquidity and despite that soon the banks began facing shortage of funds for loans. To reduce credit and import demand, NRB raised the policy rate three times - in August 2021, February 2022, and July 2022. Besides changing interest rates, other regulatory restrictions were also applied to reduce imports like raising cash margin requirement for letter of credit on selected "nonessential goods" and increasing the risk weight of margin lending. In August 2021, the central bank announced that BFIs would be required to limit the credit-to-deposit (CD) ratio to no greater than 90% by mid-July 2022. Following this, commercial banks started charging higher interest, going from 8.5% to 11.6% between mid-July 2021 and mid-July 2022, which contributed towards cooling the credit demand.

As an import-reliant economy, a decrease in interest stimulated spending, which was seen in the increase in imports and a widening trade deficit. Alongside this, the volatility caused by the Russia-Ukraine conflict increased inflation, notably fuel prices, that impacted foreign exchange reserves significantly. This decline in reserves sparked concerns, causing people to draw parallels with countries like Sri Lanka and Pakistan, where the devaluation of the currency and low foreign exchange reserves had triggered crises.

To ease pressure on foreign exchange reserves, authorities introduced import control measures. These included making importers of 47 product groups deposit 50 to 100 percent of the import value in bank accounts for obtaining a letter of credit (implemented in December 2021). Additionally, in April 2022, the government banned the import of 10 specific product groups.

Then Finance Minister Janardan Sharma also called on citizens residing overseas to consider depositing funds in domestic banks to bolster the liquidity of the financial system and for safeguarding the foreign exchange reserves. The gross foreign exchange reserves had decreased by 18.9% to USD 9.54 billion in mid-July 2022 from USD 11.75 billion in mid-July 2021. It was sufficient to cover merchandise and services imports for 6.94 months.

The government then introduced an expansionary budget for FY 2022/23, setting an ambitious growth target of 8%. The budget proposed 31% deficit financing of the NPR 1,794 billion expenditure. In aiming to achieve this budget speech instructed the central bank to formulate a monetary policy to contain the inflation rate within 7% so as to achieve economic growth and maintain macroeconomic stability. The biggest challenge for the monetary policy was to tame inflation while also increasing money supply to address the government plan of raising NPR 256 billion in domestic loans.

Nepal's Monetary Policy for FY 2022/2023 emphasized higher interest rates and a reduced money supply, signaling a contractionary approach and making it one of the most rigid policies in NRB's after 2002/03. NRB employed various monetary instruments to discourage credit mobilization for undue imports and consumption of foreign goods, and to control inflation.

The policy shifted away from setting specific targets on how much the credit should grow and instead aimed to direct credit more towards sectors considered more productive. The central bank also ended COVID-19-related support for industries, like extending payment deadlines or offering flexible loan terms. As a result of increased global prices, rules demanding importers to deposit cash before getting import letters of credit, and higher policy rates, led to a slowdown in private lending in FY 2022/23. All COVID-19 related import restrictions were lifted in January 2023.

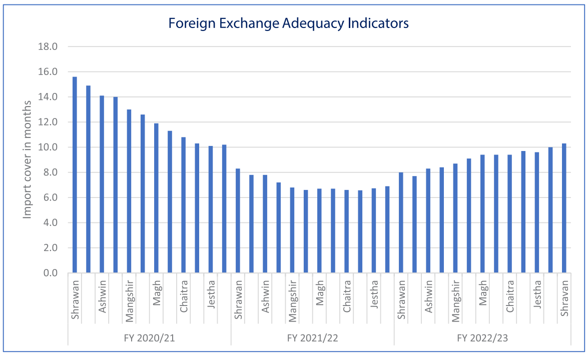
Nepal relies heavily on imports as a tax base, which contribute about half of total tax revenues through VAT, excise and import duties. The import restrictions adversely impacted customs revenue, which declined by 29.5% in nominal terms between December 2021 and May 2022, compared to a 9.4 percent increase over the same period in the year-earlier period. Indirect revenue sources that have a lower share of import dependence proved to be more resilient. This caused a significant drop in fiscal revenues and slowing og growth. Expenditures, however, remained relatively stable during a period of electoral activity in FY 2022/23, with recurrent spending dominating. The chronic underspending on capital expenditure continued to hinder progress on development goals and building infrastructure. As the result of the sharp decline in revenues, a deficit of 6.1% of GDP was recorded in FY2022/23, the largest since 1990 and almost double that of 3.2% recorded in FY 2021/22.

To cover revenue deficits, the government downsized its budget expenditure by about 14.0% in the first half of FY 2022/23. By the end of FY 2022/23, total expenditures had increased by 5.9% to 23.0% of GDP, reflecting mainly a 9.9% increase in recurrent expenditure.

India's restrictions on the export of broken rice (i.e., fragments of rice grains, broken in the field, during drying, during transport, or during milling) and a levy of 20% customs duty on the export of other rice varieties from September to November 2022, and its ban on wheat exports beginning May 2022, a reduction in COVID-19 vaccine imports, reduced edible oil imports and transition from fossil fuel to electricity by manufacturing firms and households were also factors that contributed to import reduction in FY 2022/23.

During FY2022/23, remittances increased by 21.2% in NPR and 12.1% in USD resulting in a five year high. The increase in migration for work arboad, depreciation of the NPR against the US dollar, the regulatory requirement to set aside 10% of Initial Public Offering (IPO) shares of Nepali companies for Nepali working abroad beginning from November 2022, and the expansion of social security benefits to workers abroad beginning from March 2023 were some factors contributing to the growth in remittance.

The current account deficit narrowed through lower imports of goods and services, stable exports and remittances. Despite a nominal depreciation, the Nepali rupee appreciated in real terms against the currencies of trading partners during FY2022/23, as it had in many previous years. As the current account deficit narrowed and external debt servicing obligations remained low, foreign reserves increased during FY 2022/23. Gross foreign exchange reserves stood at USD 11.74 billion providing import cover for 10 months of goods and services, a marked improvement over FY 2021/22 (See: Figure below).

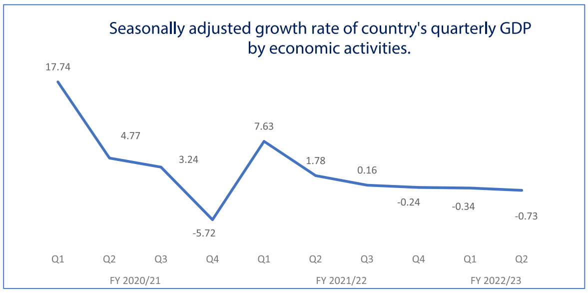


Source: Nepal Rastra Bank

In FY 2022/23 imports and exports decreased by 16.1% and 21.4% respectively. As a result, the Balance of Payments remained at a surplus of NPR 290.52 billion in FY 2022/23.

As previously mentioned, the monetary policy implemented for the FY 2022/23 was characterized by an ascent in interest rates and an adoption of a contractionary approach. It was believed that contractionary monetary policy was needed to maintain stable prices, but it was eventually followed by a recession, and historical data indicates that a majority of recessions since the 1940s have been preceded by periods of increasing interest rates. Likewise, during the FY 2022/23, an unprecedented recessionary status was observed in the economy for the first time in six decades.

Although there is no universally accepted definition of a recession, the most common definition of recession used in the media is a "technical recession" in which there have been two consecutive quarters of negative economic growth (GDP). The National Statistics Office has projected a 0.73% decline in seasonally adjusted GDP for the second quarter of FY 2022/23, indicating a potential recession (See: Figure below).



Source: National Statistics Office

The basic principle of GDP growth based on the Keynesian expenditure method is given as:
Economic Output (Y) = C + I + G + (X-M). Where, C = Consumption, I = Private Sector Investment, G = Government Spending, X = Exports and M = Imports.

Conclusion

The article has explored the synergetic relationship between economic principles and government interventions, monetary policy, and fiscal policies of the government that were the tools used in navigating the economic cycles following the COVID-19 disruptions. The implementation of the monetary policy by the NRB contributed to shaping bank rates, reserve requirements and open market operations that were foundational for stabilizing inflation, bolstering investments, and stimulating the financial system's resilience.

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Judicial Update

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Case-I: Income Tax Act, 2058

Supreme Court Decision Date:- 2080/01/04

Parties:- Syakar Company Ltd (Appellant) V. Large Taxpayer Office, Lalitpur (Defendant)

Supreme Court Case No.:- 074-RB-0496

Link: https://supremecourt.gov.np/cp/assets/downloads/supreme_185600.pdf

Addback the interest expense of loan to the extent of amount lent [Section 14(1)]:

Abstract:

It is abnormal that borrowing loan for business purpose and lending it without charging interest to subsidiary company with which no any sale or procurement is transacted yet. Normally, business loan is obtained when the available source of fund is inadequate for business operation. Hence, borrowing an interest bearing business loan on the ground of scarcity and lending the fund but without charging interest cannot be accepted as a business norm and code of ethics. Instead, it shall be considered as a scheme of tax avoidance under section 35 of the Income Tax Act, 2058.

Fact:

The appellant M/s Syakar Company Ltd had borrowed loan from banks for its business operation. Simultaneously, it had lent an amount of fund to its subsidiary company without charging interest on it. It had claimed the entire interest expense of loan borrowed for deduction under section 14(1) of the Income Tax Act, 2058 in its Income Tax Return of F/Y 2064/065.

Later on, the respondent Large Taxpayer Office (LTO) issued a tax assessment notice against the appellant company under section 101(6) of the Act, *inter alia* causing to addback an interest expense NPR 14,74,563/- of the loan borrowed, on 2067/12/25. The disallowed (addback) interest amount was computed by taking an average interest rate of the appellant company's bank loans and applying the rate to the amount lent at free of interest to its subsidiary company.

The verdict of the respondent LTO for ordering to addback such interest expense was that borrowing loan from banks for business purposes and lending it to subsidiary company without charging any interest but claiming the interest expenses of entire borrowed loan amount for deduction is not in compliance with the income tax law. Instead, it is a part of tax avoidance scheme under section 35 of the Income Tax Act, 2058.

Dispute:

The appellant company, being dissatisfied with such tax assessment order made by the respondent LTO, had applied to the Inland Revenue Department (IRD) for Administrative Review under Section 115 of the Income Tax Act, 2058 on 2068/03/24. However, the IRD endorsed the tax assessment order of the respondent LTO on the ground such tax assessment is in consonance with the law and rejected the application of the appellant company on 2068/04/27.

Then the appellant company, being dissatisfied with decision of the Administrative Review, appealed to the Revenue Tribunal, Kathmandu against such decision under section 116 of the Act. The Revenue Tribunal upheld the amended tax assessment order of respondent LTO along with the decision of the Administrative Review made to endorse such order of respondent LTO and quashed the claim of the appellant company on 2070/01/12. So, the appellant company, being dissatisfied with such decision of the Revenue Tribunal, appealed to the Supreme Court against the decision.

Supreme Court Judgement:

The Supreme Court upheld the amended tax assessment order of respondent LTO along with the decision of Administrative Review and Revenue Tribunal made to endorse such order, and quashed the claim of the appellant company stating it is abnormal that borrowing loan for business purpose and lending it without charging interest to subsidiary company with which no any sale or procurement is transacted yet. Normally, business loan is obtained when the available source of fund is inadequate for business operation. Hence, borrowing an interest bearing business loan on the ground of scarcity and lending the fund but without charging interest cannot be accepted as a business norm and code of ethics. Instead, it shall be considered as a scheme of tax avoidance under section 35 of the Income Tax Act, 2058.

Case-II: Companies Act, 2063

Supreme Court Decision Date:- 2080/06/22

Parties:- National Life Insurance Company Ltd (Appellant) V. Om Singh (Respondent)

Supreme Court Case No.:- 068-CI-0452

Link: https://supremecourt.gov.np/cp/assets/downloads/supreme_103293.pdf

Section 160 is enforceable even after the retirement [Section 160]:

Abstract:

It shall be deemed a legal obligation of directors, officers or employees of a company to return the retained documents, accounts, cash, and commodities even after the retirement from the company. Hence, the decision made by the High Court Patan on the ground that section 160 of the Companies Act, 2063 is enforceable only for incumbent directors, officers or employees; not for those who have already been retired from the company is not consistent with the spirit of the section.

Fact:

The respondent Om Singh had been engaged as an employee of the appellant National Life Insurance Company Ltd for the period from 2062/09/18 to 2064/02/21. The appellant company alleged the respondent for committing following two offences provided under Companies Act, 2063:

(1) Despite of regular follow up, the respondent did not settle the advances and outstanding hire purchase loan amount of NPR 25,78,151.33 (net amount after offsetting the retirement benefit payable to the respondent against the gross amount receivable from him) on time which were availed during his employment period. Hence, he committed offences under clause (i) of section 160 of the Act. and

(2) He did not hand over the records and documents retained under his control at the time of retirement. Hence, he did not perform the duty provided under section 174 of the Act and hence committed offence under clause (e) of section 160 of the Act.

Thus, the appellant company lodged a complaint against the respondent to the Company Board, Kathmandu pursuant to section 159(5) of the Companies Act, 2063 on 2065/08/06. Further, if any person is proved to have committed any offence prescribed under section 160 of the Act, s/he shall be punished with a fine from NPR 20,000-50,000 or with imprisonment for a term not exceeding 2 years or both. In the petition, the appellant company had claimed for charging punishment to the maximum extent provided under section 160 of the Act. However, while the case was sub judice, the Government of Nepal designated the Appellate Court Patan (now High Court Patan) for hearing the case and taking other actions pursuant to the Companies Act, 2063 and the Company Board *ipso facto* got dissolved pursuant to section 171(1) of the Act. Hence, on the dissolution of the Company Board, all petitions including of the appellant company transferred to the Appellate Court Patan under section 171(3) of the Act.

Dispute:

The respondent repudiated the complaint lodged by the appellant company stating those allegations as baseless. Hence, the Appellate Court Patan (now High Court Patan) rejected the argument of the appellant company at following grounds on 2067/09/25:

(a) It is not confirmed from the evidences enclosed in the file which of the documents were under the control of the respondent and hence not submitted,

(b) Without initiating the litigation to recover the unsettled advance amount from the respondent as per prevailing laws, the appellant company has claimed for the recovery of advances and collection of documents along with the punishment under section 160 of the Companies Act, 2063. This section 160 is applicable only for incumbent directors, officers or employees; not for those who have already been retired from the company. Hence, the claim of the appellant company cannot be admitted.

Thus, the appellant company being dissatisfied with decision of the Appellate Court Patan (now High Court Patan) appealed to the Supreme Court against its decision.

Supreme Court Judgement:

The Supreme Court quashed the decision of the High Court Patan stating:

(1) It shall be deemed a legal obligation of directors, officers or employees of a company to return the retained documents, accounts, cash, and commodities even after the retirement from the company. Hence, the decision made by the High Court Patan on the ground that section 160 of the Companies Act, 2063 is enforceable only for incumbent directors, officers or employees; not for those who have already been retired from the company is not consistent with the spirit of the section.

(2) The High Court had ordered the appellant company from time to time for submitting necessary documents, bills, vouchers, records relevant to the arguments. However, while making decision, the High Court Patan has not made a fact based decision after undergoing an evaluation and analysis of those evidences.

(3) Hence, return the litigation file to the High Court Patan and cause the parties of the litigation to appear before it for re-justice.

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News

STRATEGIC REVIEW

Regulation and Supervision

Mandating Biometric for the Members of the Institute

The Institute has mandated the requirement of submitting Biometric data to all the Members of the Institute. The Members are required to submit their biometrics at the Head Office and 6 Branch Offices of the Institute from 1st January 2024 till 29th January 2024. Previously, as a first phase of updating members database, the Institute has mandated biometric collection of practicing members for renewal of their membership and Certificate of Practice since 14th July 2023 whereby, 3,849 members have already submitted their biometric at ICAN.

Meeting with ACAN and AuDAN Representatives for Discussion on Proposed Draft of First Amendments to the Firm Standard and Minimum Fee Directives 2078

A tripartite meeting of ICAN Council and Senior Management Team with the representatives of the Association of Chartered Accountants of Nepal (ACAN) and Auditor's Association of Nepal (AuDAN) was held on 21st December 2023 at ICAN Premises, at Satdobato, Lalitpur. to discuss the proposed draft of first amendment to the Firm Standard and Minimum Fee Directives 2078 issued by the Institute which was applicable from 01st Shrawan 2078. The discussion of the meeting was predominantly focused on the requirement and basis for determination of fee's of professional accountants / practitioner firm while engaging in audit, assurance and related services and to address the practicalities in compliance of the Directives.; As a Chair of the meeting CA. Prabin Kumar Jha, Vice-President ICAN expressed his commitment to consider the suggestions of the participants and addressed the issues raised, in the proposed amendments prior to presenting it before the Council.

Meeting with the Auditing Standards Board of Nepal (AuSB, Nepal)

A meeting of ICAN Council Members, Members of the Standard Implementation Review Committee and Senior Management team of the Institute with the members of the Auditing Standards Board of Nepal (AuSB, Nepal) was held on 18th December 2023 at ICAN premises. The agenda of the meeting was to discuss on the issuance and effective implementation of the revised auditing standards prepared by AuSB in line with the International Standards on Auditing (ISA) 2021 Handbook issued by the International Auditing and Assurance Board (IAASB). The meeting was attended by total of 35 members including President, Vice-President and Council Member of ICAN along with Chairman and other members of the AuSB, Nepal.

Professional Development

Certification Course on Information System Audit (ISA)

The Institute in technical collaboration with the Institute of Chartered Accountants of India (ICAI), for the first time conducted an online certification course on ISA as a post qualification course for CA Members of ICAN from 3rd to 20th October 2023. The certification course was organized virtually whereby,72 Members participated in the course.

Online Comprehensive Training on Valuation and Valuation Standards

The Institute in technical support from the Institute of Chartered Accountants of India (ICAI) organized a 5 day online comprehensive training on Valuation and Valuation Standards from 4th to 8th December 2023. More than 330 members participated in the online training.

Training on Code of Ethics, UDIN, Firm's Standards and Minimum Fee Guidelines 2078 and Taxation

Butwal Branch of the Institute conducted one day training on Code of Ethics, UDIN, Firm's Standards and Minimum Fee Guidelines 2078 and Taxation on 7th October 2023 in Butwal. The program was Chaired by CA. Sheo Hari Sharma, the Coordinator Butwal Branch Coordination Committee (BCC) whereby, CA. Pratap Karmacharya, Member, Butwal BCC also addressed the training. The technical sessions of the training were facilitated by CA. Kiran Kumar Khatri, Director, ICAN and Mr. Dhanishwor Aryal, Tax Officer, Inland Revenue Office, Krishna Nagar. Altogether 69 members of the Institute participated in the training.

Continuing Professional Education (CPE) Training

The Institute with the objective to enhance conceptual and practical knowledge of the members of the Institute CPE training on contemporary issues were organized at the head office and Nepalgunj branch office of the Institute.

S. N.	Date of CPE Training	Place of CPE	Number of Members
1	6th to 8th October 2023	Lalitpur	68
2	24 to 26 November 2023	Lalitpur	65
3	24 to 26 November 2023	Nepalgunj	69

Interaction with Members

Delegation led by CA. Sujan Kumar Kafle, President ICAN including CA. Prabin Kumar Jha, Vice-President, ICAN along with CA. Sanjay Kumar Sinha, Executive Director, ICAN had an interaction with the ICAN Members practicing at Butwal on 16th October 2023 in Butwal. The objective of this interaction program was to disseminate Institute's policy and approach for implementation of guidance and regulatory provision issued by the Institute and to hear the perspective of the members on the practicalities for adherence with those guidelines and provisions. Altogether, 33 members including the members of the Butwal BCC along with representatives from ACAN and AuDAN participated in the interaction program.

International Accounting Day 2023 marked

The Institute marked the "International Accounting Day" on 10th November 2023 by organizing various programs at Kathmandu and branch offices of the Institute. The International Accounting Day is held every year on November 10th and is celebrated on global scale as this observance commemorates the date in 1494 when Luca Bartolomeo de Pacioli, the "Father of Accounting." published a work that included bookkeeping practices.

Head Office

On this occasion, the Institute organized a walkathon and interaction program. The walkathon began from Bhirkuti Mandap at 7:30 AM, went around Shahid Gate, Ratnapark and completed at Bhirkuti Mandap at 9:00 AM. More than 500 participants including ICAN Past President, Council Members, Committee Members, Members, Student, Stakeholders, and staffs took part in the event. The event was ended with the concluding remarks of ICAN President CA. Sujan Kumar Kafle, ACAN President CA. Deepak Pandey and AudAN President RA. Kedar Nath Poudel.

Glimpse of Walkathon program held on 10th November 2023 at Kathmandu

Simialry, the Institute also organized an interaction program on "Implementation Status of Accounting and Auditing Standards and Way Forward.". The program started with the welcome remarks of ICAN President, CA. Sujan Kumar Kafle. In the program total three technical paper presented followed by a panel discussion and question answer session. CA. Anup Kumar Shrestha, Chairman, Auditing Standards Board (ASB); CA. Manish Raj Upreti, Board Member, Accounting Standards Board (AuSB) and CA. Surendra Shrestha, Chairman, SIRC and Council Member, ICAN presented paper on "Current State of Development, Pronouncement and Implementation of Auditing Standards", "Contemporary Issues in Implementation of Standards and Way Forward" and "Development and Implementation of Standards, and Way Forward". Altogether, 91 individuals participated in the interaction program respectively.

Likewise, CA. Baikuntha Bahadur Adhikari, Council Member and Assistant Auditor General, Mr. Gyatriraman Khanal, Deputy Financial Comptroller

General; CA. Prakash Jung Thapa, Chairman, ASB; CA. Anup Kumar Shrestha Chairman AuSB and CA. Deepak Pandey, President, ACAN were the panelist in the panel discussion session Chaired by CA. Sujan Kumar Kafle, President ICAN. CA Prabin Kumar Jha, Vice-President of the Institute moderated the program.

Branch Office

Biratnagar Branch of the Institute organized an interaction Program with staffs working in Bank and Financial Institutions and Members on November 9, 2023. The program was addressed by ICAN President, CA. Sujan Kumar Kafle and ICAN Vice-President, CA. Prabin Kumar Jha, CA. Aswini Bansal, Coordinator Biratnagar Branch Coordination Committee (BCC) along with the Executive Director, ICAN, CA. Sanjay Kumar Sinha. In the program CA. Prajwal Adhikari Sharma, Member Biratnagar BCC and Mr. Santosh Budhathoki presented their papers. Altogether 50 participants attended the program.

Butwal Branch of the Institute organized an Interaction Program on "Good Governance in Public Financial Management and Role of Regulatory Bodies" on November 10, 2023. The program was Chaired by CA. Sheo Hari Sharma, Coordinator Butwal BCC whereby, Mr. Ganesh Aryal CDO Rupandehi District addressed the program as Chief Guest and Council Member RA. Madhav Prasad Parajuli, ICAN addressed the program as Special Guest. In the interaction program, representation from different Government and regulatory bodies along with ICAN Members discussed on the role of accounting professionals in economic stabilization and nation development, need for effective coordination among the regulatory bodies while drafting and implementing the policies. Altogether there were 40 participants in the program.

Education

Membership Examination Result Published

The Institute published the result of September 2023 Membership Examination held on 18th and 19th September 2022. The result was published on 8th November 2023 and a total of 40 examinees have qualified eligibility exam to obtain ICAN membership.

Chartered Accountancy Examination, December 2023

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 from 1st to 12th December 2023 in Kathmandu Valley, Biratnagar, Butwal, Pokhara, Chitwan, Dhangadi and Nepalgunj. Altogether 6,956 students appeared in the examination out of total 7,793 applied students.

Details of number of students applied and appeared in different level of CA Examination; December 2023 is as follows:

Level	CAP I		CAP II		CAP III	
	Applicants	**Appeared**	**Applicants**	**Appeared**	**Applicants**	**Appeared**
Both Group	1813	1651	2952	2781	349	338
Group I	-	-	973	748	661	582
Group II	-	-	713	585	329	271
Total	**1813**	**1651**	**4641**	**4114**	**1339**	**1191**

Likewise, 4 applicants having ACCA qualification applied and appeared in the CA Membership Examination.

New Students' Orientation Program:

The Institute organized New Students' Orientation Program for students registered for June 2024 batch on 19th December 2023 at Rastriya Sabha Griha, Kathmandu, The program was commenced with welcome remarks from Mr. Binod Prasad Neupane, Acting Executive Director, ICAN. CA. Sujan Kumar Kafle, President, ICAN and CA. Prabin Kumar Jha, Vice-President, ICAN also delivered speech in the program. Besides, CA. Vishrut Thapa, Executive Director, Nepal Rastra Bank and CA. Saraswati Adhikari, Deputy CEO, Rastriya Banijya Bank spoke on career prospects of CA Profession. Further, recently qualified Chartered Accountants CA. Sachina Kunwar and CA. Surya Bahadur Khadka shared their experience on journey to Chartered Accountancy. The program also included cultural performances by newly registered students.

Altogether 337 students attended the program physically and 36 students through virtual mode. Moreover, the program was also organized physically in Biratnagar and Butwal Branches which were attended by 46 and 27 students respectively.

Glimpse of CAP I Student's Orientation Program at Kathmandu

ICAN Quiz and Elocution Contest, 2023:

The Institute organized ICAN Quiz and Elocution Contest, 2023 on 20th December 2023 at ICAN Head Office, Satdobato, Lalitpur. The program started with opening and welcome remarks from Mr. Binod Prasad Neupane, Acting Executive Director, ICAN.

In the Elocution Contest, 5 students delivered a power point presentation which was evaluated by Judge Panel comprising of Prof. Dr. Puskar Bajracharya, Member, Board of Studies, ICAN; CA. Surendra Shrestha, Council Member and Member, Board of Studies, ICAN and CA. Suman Kumar Bohara, Joint Director, ICAN in 7 different criteria. The winner of Elocution Contest are as follows:

S. No.	Name	Position
1	Ms. Alisha Pokharel	Winner
2	Mr. Dewamsh Basyal	1st Runner Up
3	Ms. Sangya Pant	2nd Runner Up

In the Quiz contest, 14 students competed on 4 different rounds. The winners of Quiz Contest are as follows:

S. No.	Name	Position
1	Mr. Nishant Raj Aryal	Winner
2	Mr. Dibas KC	1st Runner Up
3	Mr. Sagar Gyawali	2nd Runner Up

The program concluded with closing remarks from CA. Prabin Kumar Jha, Vice-President, ICAN.

Glimpse of participants of the Quiz and Elocution Contest, 2023 with the judges and officials of ICAN at ICAN premises

Student Participation in International Students' Conference on "Impact of Technology and AI in Accounting Profession" organized by CMA Sri Lanka

Two students of CAP III level namely Mr. Pramesh Pokharel and Mr. Ujjwal Giri represented the Institute and participated in the International Students' Conference 2023 on the theme "Impact of Technology and AI in Accounting Profession" organized by The Institute of Certified Management Accountants of Sri Lanka (CMA Sri Lanka) on 19th August 2023 at Centre for Banking Studies, Colombo, Sri Lanka. The students presented papers on the topic "Embracing Technology in Accounting Profession – Nepalese Perspective" in the Conference.

Student and Staff Participation in the International Students' Conference on "Embracing Artificial Intelligence" on organized by Northern Regional Committee of ICAP

Two students of CAP III level namely Ms. Punam Kumar Sharma and Mr. Pratik Gelal represented the Institute and participated in the Institute of Chartered Accountants of Pakistan (ICAP) International Students' Conference 2023 on the theme "Embracing Artificial Intelligence" organized by Northern Regional Committee of ICAP on 21st October 2023 at Pearl Continental Hotel, Lahore, Pakistan. The students addressed the Conference as panelists during a panel discussion on the topic related to Embracing Artificial Intelligence. CA. Gaurab Khatiwada, Assistant Director, ICAN also accompanied the students in the Conference and had exposure visit of The Institute of Chartered Accountants of Pakistan (ICAP), Lahore branch.

Glimpse of Student Participation in Conference

Career Counseling on Chartered Accountancy (CA) Education

Butwal Branch of the Institute arranged a career counseling program at Butwal. The objective of this program was to make students aware of the Chartered Accountancy Course offered by the Institute. CA. Rupesh Kumar Maheswori and Ms. Kamala Chudali, Assistant Director Education and Public Health Division Butwal Sub- Metropolitan City addressed the program as the Chair and Chef Guest whereby, CA. Sagun Khanal facilitated the program. Altogether, 40 students and stakeholders participated in the program.

National Relation: Public and Government

ICAN Signed Technical Collaboration Agreement with OCR

A delegation led by ICAN President, CA. Sujan Kumar Kafle comprising of Vice President, CA. Prabin Kumar Jha, Executive Director, CA. Sanjay Kumar Sinha, Technical Director, CA. Kiran Kumar Khatri, Administration Director, Mr. Binod Prasad Neupane and Joint Director, CA. Suman Kumar Bohara had a meeting with the Registrar of Company, Mr. Mahesh Baral and Other Officials in Office of Company Registrar (OCR) located at Tripureshwor, Kathmandu on Tuesday, 31 October 2023.

Left: CA. Sujan Kumar Kafle, President, ICAN and Mr. Mahesh Baral, Registrar of Company during signing MoU for Technical Collaboration between ICAN and OCR

The objective of the meeting was to sign a Memorandum of Understanding (MoU) for Technical Collaboration between both the organizations to enhance regulatory mechanism by either organization through adopting various mechanism and explore the areas of cooperation to exchange expertise wherever required. The MoU was signed and exchanged by ICAN President, CA. Sujan Kumar Kafle and Company Registrar, Mr. Mahesh Baral.

Glimpse of meeting between ICAN and OCR during the event of signing MoU between ICAN and OCR

ICAN Participation in Project Scoping Meeting hosted by PEFA Secretariat

Representing the Institute, CA. Sanjay Kumar Sinha, Executive Director and CA. Amrita Thapa, Assistant Director attended the project scoping meeting hosted by PEFA Secretariat at the Financial Comptroller General Office on 12th October 2023. This meeting was attended by officials from the World Bank, Asian Development Bank, International Monetary Fund and other Development Partners along with the officials from Implementation Partners of Integrated Public Financial Management Reform Project (IPFMRP). During the meeting, CA. Sanjay Kumar Sinha, Executive Director suggested some of the potential areas having scope for improvement for strengthening Public Financial Management in Nepal and expressed commitment of ICAN to collaborate with Multi Donor Trust Fund in the upcoming projects.

Attended Wrap-up Meeting for Integrated Public Financial Management Reform Project (IPFMRP) and Scoping for new PFM Project

CA. Kiran Kumar Khatri, Director, ICAN and CA. Amrita Thapa, Assistant Director, ICAN attended the wrap-up meeting of IPFMRP along with scoping of new PFM project held at Ministry of Finance on 22nd November 2023. The meeting was Chaired by Mr. Krishna Hari Puskar, Finance Secretary whereby, Mr. Faris H. Hadad Zervos, Country Director for Maldives, Nepal and Sri Lanka, the World Bank along with representatives from the Multi Donor Trust Fund, Development Partners and officials from other IPFMRP implementing agencies addressed the meeting. In the meeting, CA. Kiran Kumar Khatri highlighted the outcome of IPFMRP implementation by Institute and proposed the avenues of cooperation for the new PFM project.

Meeting with the Mayor of Butwal Sub-Metropolitan City

CA. Sujan Kumar Kafle, President ICAN; CA. Prabin Kumar Jha, Vice-President, ICAN and CA. Sanjay Kumar Sinha, Executive Director, ICAN had a cordial meeting with Mr. Khel Raj Pandey, Mayor of Butwal Sub-Metropolitan City at Butwal Sub-Metropolitan City office on 16th October 2023. During the meeting, CA. Sujan Kumar Kafle, President ICAN expressed the willingness of the Institute for making contribution and cooperation with Butwal Sub-Metropolitan City for enhancement of accounting and auditing practices in the municipality.

Participation in National Convention of Account Supervision Committee of Cooperatives

CA. Bharat Nepal, Deputy Director participated in the National Convention of Account Supervision Committee of Cooperatives held on 12th and 13th October 2023 at Kathmandu organized by the National Cooperative Federation of Nepal (NCF). The objective of the convention was to discuss about effective tools and system for internal control in cooperatives in Nepal for enhancing self-regulation and cooperative governance in Cooperatives and to develop the guidelines required for risk management and financial discipline in cooperatives.

Meeting with Director General of IRD

President, CA. Sujan Kumar Kafle, Vice-President, CA. Prabin Kumar Jha and Executive Director, CA. Sanjay Kumar Sinha had a cordial meeting with the Director General of Inland Revenue Department (IRD), Mr. Dirgha Raj Mainali and Vice President Federation of Nepalese Chamber of Commerce & Industries (FNCCI), Mr. Sur Krishna Baidhya on 7th November 2023 at the office of IRD in Lazimpat, Kathmandu to discuss on draft Memorandum of Understanding (MoU) developed for establishing cooperation among all the three entities for organizing trainings for the capacity development of account prepares of Micro, Small and Medium Enterprises (MSMEs).

Meeting with the Chairman and Members of Committee formed by IRD to Review Tax Regime in Nepal

President, CA. Sujan Kumar Kafle, Vice-President, CA. Prabin Kumar Jha and Executive Director, CA. Sanjay Kumar Sinha had a meeting with the Chairman of Committee formed by Government of Nepal to Review Tax Regime, Mr, Bidhyadhar Mallik and members of committee Mr. Laxman Aryal and Mr. Shyam Dahal. The government has formed a high-level committee under the Chairmanship of Former Finance Secretary, Mr. Mr, Bidhyadhar Mallik in order to seek out recommendation to revamp the existing tax system – and conduct comprehensive review to explore and proposing areas of reform so as to make Income Tax (IT) services user-friendly, and improving the IT Act to overcome ambiguity being faced by the Taxpayers.

In this introductory meeting, ICAN President and Vice President highlighted some specific provisions of IT Act for immediate take over by the Committee to make those provisions more specific instead of leading a confusion among the Tax Officers and Taxpayers. ICAN requested to provide a formal letter to work on various aspects of Direct and Indirect Taxes through its Fiscal Taxation and Research Committee to provide institutional opinion on this regard.

International Relation: Global Positioning and Leadership

Participation in CAPA Members Meeting and CA Sri Lanka Conference

A delegation of ICAN led by President, CA. Sujan Kumar Kafle, Vice-President, Prabin Kumar Jha, Past President and Council Member CA. Yuddha Rja Oli, Council Members, CA. Baikuntha Bahadur Adhikari & RA. Poshraj Nepal and Executive Director, CA. Sanjay Kumar Sinha attended the Members Meeting and Board Directors Election organized by CAPA in Colombo, Sri Lanka from 3rd October to 6th October 2023. During their visit they also participated in the two days Conference organized by CA. Sri Lanka and CMA Sri Lanka.

Glimpse of Delegates from ICAN at the CAPA Members Meeting hosted by CA Sri Lanka at Colombo Sri Lanka

CA. Sujan Kumar Kafle, President ICAN has made a presentation on the topic "Future of the Profession- Challenges and Solutions" in the CAPA Members meeting held on 5th October 2023 in Colombo, Sri Lanka highlighting the prevailing opportunities and challenges prevailing in Nepal.

ICAN President, CA. Sujan Kumar Kafle presenting in CAPA Members meeting.

CA. Yuddha Raj Oli, Past President and Council Member, ICAN Elected as Board Director of Confederation of Asia and Pacific Accountants (CAPA) for the year 2023-2027

CA. Yuddha Raj Oli, Past President and Council Member, ICAN has been elected as a Board Director of the CAPA for the year 2023-2027. The Institute with distinct honor congratulates CA. Yuddha Raj Oli, Past President and Council Member for being elected as the CAPA Board Member and extends best wishes for success in his future endeavors as CAPA Board Member. The newly elected Board Member of CAPA for 2023-2027 is presented as below:

S. No	Name of the Board Members	Designation	Name of Professional Accounting Bodies
1	Prafulla Chhajed	President	ICAI
2	Priya Terumalay	Director	CPA Australia
3	Md Shahadat Hossain	Director	ICAB Bangladesh
4	Wan Wenxiang	Director	CICPA China
5	Aniket Sunil Talati	Director	ICAI India
6	Satsuki Miyahara	Director	JICPA Japan
7	Jhun, Yong Sok	Director	KICPA Korea
8	Yuddha Raj Oli	Director	ICAN Nepal
9	Gill Cox	Director	CA ANZ New Zealand

10	Richard Kuna	Director	CPA Papua New Guinea
11	Randy Blanza	Director	PICPA Philippines
12	Tishan Subasinghe	Director	CA Sri Lanka
13	Jim Knafo	Director	AICPA USA

CONGRATULATIONS!!

CA. Yuddha Raj Oli, Past President and Council Members, ICAN for being elected as Board Director of CAPA for the year 2023-2027

Glimpse of Board Members of CAPA for Year 2023-2027

Meeting with ACCA Delegates

ICAN President CA. Sujan Kumar Kafle together with Vice-President, CA. Prabin Kumar Jha and Executive Director, CA. Sanjay Kumar Sinha had a cordial meeting with the ACCA representatives Ms. Nilusha Ranasinghe, Head of ACCA South Asia and Mr. Zarif Ludin, Head of ACCA Institutional Partnership in Colombo Sri Lanka on 6th October 2023 during their visit to Sri Lanka to participate in CAPA Meetings, Election and Conference organized by CA Sri Lanka and CMA Sri Lanka. The meeting was focused on discussing to further strengthening technical collaboration between both the Institutes specially in the areas of development of post qualification certification course and development of guidelines relevant for the members of ICAN.

Meeting between ICAN and ACCA Delegates

IFAC Ordinary Council Meeting Attended

ICAN President, CA. Sujan Kumar Kafle attended the International Federation of Accountants (IFAC) Ordinary Council Meeting held on 15th and 16th November 2023 at Vienna, Austria. The IFAC Council meeting approved the new appointment and reappointments of IFAC Board Members along with approval of new members and associate member organization in IFAC membership.

Glimpse of IFAC Council Meeting held on 15th and 16th November 2023 at Vienna, Austria

Participation in 81st SAFA Board Meeting and Committee Meetings

ICAN President, CA. Sujan Kumar Kafle, Vice-

President, CA. Prabin Kumar Jha; Past President and Council Member, CA. Yuddha Raj Oli, Council Members, CA. Santosh Kafle, CA. Peeyush Anand and RA. Madhav Prasad Parajuli attended the 81st SAFA Board Meeting and Committee Meetings hosted by the Institute of Chartered Accountants of India on 24th November 2023 at Gandhinagar, India.

Participated in Global Professional Accountants Convention (GloPAC)

A delegation led by ICAN President, CA. Sujan Kumar Kafle along with Vice-President, CA. Prabin Kumar Jha; Past President and Council Member, CA. Yuddha Raj Oli, Council Members, CA. Santosh Kafle, CA. Peeyush Anand and RA. Madhav Prasad Parajuli including staffs from the Institute Ms. Goma Raut, Joint Director and Ms. Poonam Bajracharya, Senior Officer participated in the Global Professional Accountants Convention organized by the Institute of Chartered Accountants of India from 24th to 26th November 2023 at Mahatma Mandir Convention and Exhibition Centre Gandhinagar, Gujarat, India.

Glimpse of ICAN Delegation participation in the GolPAC held in Gujarat, India

Participation in the 48th Eastern Indian Regional Council (EIRC) Regional Conference

President, CA. Sujan Kumar Kafle represented the Institute as a panelist in the technical session on "Redefining Financial Oversight in A Digital Age" at the 48th EIRC regional conference on theme "Capacity" held on 15th and 16th December 2023 in Kolkota, India.

Consecutive third from the Left: ICAN President, CA. Sujan Kumar Kafle with ICAI Immediate Past President, CA. (Dr.) Debashis Mitra along with other dignitaries in the 48th ERIC held in India.

Annual General Meeting of ICAN US Chapter

President CA. Sujan Kumar Kafle, Vice President CA. Prabin Kumar Jha and Executive Director CA. Sanjay Kumar Sinha attended Annual General Meeting of ICAN US Chapter virtually on 16th December 2023 with ICAN US Chapter Co-Ordinator CA. Tika Acharya and other members of the US Chapter Committee. The Annual meeting also comprises of two technical sessions on "New Citizenship Act of the Nepal" and "Generative Artificial Intelligence" facilitated by Mr. Bharat Mani Rijal, Joint Secretary-Law, Ministry of Home Affairs GON and Dr. Robert Bornhofen, Director of Innovation at DC Water, USA respectively.

SAFA BPA Report Award 2022 Conference Marking Completed

CA. Suman Kumar Bohara, Joint Director, ICAN participated in SAFA BPA Report Award 2022 Conference Marking hosted by the Institute of Chartered Accountants of Sri Lanka from 24th to 29th November 2023 at Colombo, Sri Lanka. Delegation from SAFA comprising of representative from the Institute of Chartered Accountants of India (ICAI), Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Institute of Chartered Accountants of Bangladesh (ICAB) and Institute of Chartered Accountants of Pakistan (ICAP) participated in the conference marking event whereby, the delegation from SAFA conducted review of allocated marks of total 147 participant companies under 14 different categories. ICAI will be hosting the SAFA BPA Award 2022 ceremony in India.

Right Center: CA. Anoji De Silva, Chairman of SAFA Committee for Improvement in Transparency, Accountability and Governance presenting token of love to Left Center: CA. Suman Kumar Bohara, Joint Director ICAN during visit ft CA Sri Lanka for SAFA BPA Report Award 2022 Conference Marking Event, along with other Officials.

South Asian Federation of Accountants Best Presented Annual Report (SAFA BPA) Award 2022

The Institute of Chartered Accountants of India hosted SAFA Best Presented Annual Report Awards, Integrated Reporting Awards & SAARC Anniversary Awards for Corporate Governance Disclosure 2022 in Delhi, India on. 22nd December 2023. The award distribution ceremony was telecasted live by ICAI. CA. Sujan Shrestha, Council Member, ICAN and Member, SAFA Committee for Improvement in Transparency, Accountability and Governance (ITAG) represented the Institute in the event. Siddharth Bank Limited from Nepal received Certificate of Merit in the SAFA BPA Award.

Glimpse of CA. Sujan Shrestha participating in the SAFA BPA Award 2022 Ceremony in India

Courtesy Meeting with His Excellency Ambassador of the UAE

President, CA. Sujan Kumar Kafle along with Vice-President, CA. Prabin Kumar Jha and Executive Director, CA. Sanjay Kumar Sinha had a courtesy meeting with His Excellency Mr. Abdulla Saeed Mubarak Jarwan AI Shamsi, Ambassador of the United Arab Emirates (UAE) to Nepal at the Embassy of UAE in Lazimpat, Kathmandu on 8th November 2023 to seek cooperation for conducting CA Membership Examination in Dubai for CAs qualified from International Professional Accounting Bodies (PABs) having citizenship of Nepal. His Excellency has assured the Institute to extend all cooperation in this new initiative of the Institute.

Glimpse of Meeting of ICAN President, Vice-President and Executive Director with the H.E Ambassador of the UAE

Institutional Development and Sustainability

Workshop on Digital Roadmap of ICAN

The Information Technology Committee of the Institute organized a Workshop on Digital Roadmap of ICAN on 7th December 2023 at ICAN premises. The objective of the workshop was to discuss and brainstorm on the long-term digital roadmap of the Institute incorporating Digital roadmap initiatives in the upcoming strategic plan of the Institute. ICAN Council Members, Members of the IT Committee and senior management team of Institute participated in the workshop.

Staff Training on "Leading Self and Others"

The Institute organized a residential staff training on "Leading Self and Others" on 25th December 2023 at Pataleban Vineyard Resort. The training was organized in total four technical session and was facilitated by Mr. Binod Kumar Bista, Senior Director of Studies, Nepal Administrative Staff College (NASC) and Mr. Uttam Acharya, Director of Studies, NASC. Staffs of the Head Office including staffs from branch offices participated in the training.

Glimpse of Staff Training on Leading Self and Others

Friendly Futsal Match with the NCASA

Staffs of the Institute played a friendly futsal match with Nepal Chartered Accountants Students' Association (NCASA) team on 29th December 2023 at Sankhamul Futsal, during the 2nd NCASA Futsal Cup 2080 organized by NCASA from 27th to 29th December 2023. Besides the futsal match, NCASA also organized a Girls friendly futsal match for the first time. CA. Sujan Kumar Kafle, President, ICAN and CA. Sanjay Kumar Sinha, Executive Director, ICAN addressed the closing ceremony of the 2nd NCASA Futsal Cup 2080.

Glimpse of 2nd NCASA Futsal Cup 2080

NATIONAL UPDATES

Issuance of Unified Directives, 2080 to A, B and C Class Banks and Financial Institutions

Nepal Rastra Bank has issued Unified Directives, 2080 to A, B and C Class Banks and Financial Institutions. The Directives can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2023/10/Unified-Directives-2080-Circular-Final-Published.pdf

Amendment in Unified Directive 2080 issued to A, B and C Class Banks and Financial Institutions

Nepal Rastra Bank has issued circular regarding amendment in Unified Directives 2080 issued to A, B and C Class Banks and Financial Institutions. The Circular can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2023/11/Circular-5-ABC_merged.pdf

https://www.nrb.org.np/contents/uploads/2023/12/Circular-6-ABC-Final-Upload.pdf

Issuance of Unified Directives, 2080 to Infrastructure Development Banks

Nepal Rastra Bank has issued Unified Directives, 2080 to Infrastructure Development Banks. The Directives can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2023/10/Unified-Directives-Infrastructure-Development-Bank-2080-1.pdf

Amendment in Unified Directive 2080 issued to Infrastructure Development Banks

Nepal Rastra Bank has issued circular regarding amendment in Unified Directives 2080 issued to Infrastructure Development Banks. The Circular can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2023/11/Cover-Letter_merged.pdf

https://www.nrb.org.np/contents/uploads/2023/12/CIrcular-6-NIFRA-Final-upload.pdf

Amendment in Unified Directive 2079 issued to D Class Micro Finance Financial Institutions

Nepal Rastra Bank has issued circular regarding amendment in Unified Directives 2080 issued to D Class Micro Financial Institutions. The Circular can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2023/12/Circular-2-D-Final-Upload.pdf

Issuance of Stress Testing Guidelines, 2023

Nepal Rastra Bank has issued Stress Testing

Guidelines, 2023 repealing the earlier Stress Testing Guidelines, 2022. The Guidelines can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2023/10/Stress-Testing-2023.pdf

Amendment of Policies and Procedural Provisions for granting approval for Companies providing Hire Purchase Loan, 2070 (Fourth Amendment, 2080)

Nepal Rastra Bank has issued notification on amendment of Policies and Procedural Provisions for granting approval for Companies providing Hire Purchase Loan, 2070 (Fourth Amendment, 2080). The notice along with the amended policy can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2023/11/PUBLISH.pdf

Amendment in Foreign Exchange Transaction Licensing and Inspection Byelaws 2077 (Second Amendment 2080)

Nepal Rastra Bank has issued second amendment of Foreign Exchange Transaction Licensing and Inspection Byelaws 2077. The amended byelaws can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2023/12/FXMD_Circular-04FX-Transaction-Licensing-and-Inspection-Bylaw-2077_second-Amendment.2080.81.pdf

Amendment in Unified Circular 2079 issued to Entities conducting Foreign Exchange Transactions

Nepal Rastra Bank has issued circular regarding amendment in Circular 2079 issued to Entities conducting Foreign Exchange Transactions. The Circular can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2023/12/FXMD-Circular-5_2080-81_2080.09.12.pdf

Issuance of Insurer Financial Statements Directives, 2080

Nepal Insurance Authority has issued Directives related to Financial Statements of Insurer. The Insurer Financial Statements Directives, 2080 shall be effective from 16th Ashoj 2079 and the insurer shall prepare their financial statements based on the Directives from Fiscal Year beginning from and afterwards FY 2079/80. The Directives can be viewed form the link below:

https://nia.gov.np/wp-content/uploads/2023/10/financial-statement-directive.pdf

And the notice of the same can be viewed from the link below:

https://nia.gov.np/wp-content/uploads/2023/10/c_20231010_0001.pdf

Issuance of Property Insurance Directives, 2080

Nepal Insurance Authority has issued Property Insurance Directives, 2080 which shall be effective from 1st Kartik 2080. The Directives can be viewed from the link below:

https://nia.gov.np/wp-content/uploads/2023/10/

Issuance of Long Form Audit Report (LFAR) of Insurer, 2080

Nepal Insurance Authority has issued Long Form Audit Report of Insurer, 2080. The LFAR can be viewed from the link below:

https://nia.gov.np/wp-content/uploads/2023/11/LFA.pdf

Issuance of Circular related to Quarterly Financial Statement of Insurer

Nepal Insurance Authority has issued Circular related to Quarterly Financial Statement of Insurer. The Circular can be viewed from the link below:

https://nia.gov.np/wp-content/uploads/2023/11/Quarterly-Financials-Circular-2080-Combined.pdf

Issuance of Draft of Internal Control and Supervision Directives

The Office of The Company Registrar has issued a draft of Internal Control and Supervision Directives requesting comment from the stakeholders. The draft for comment can be viewed from the link below:

https://ocr.gov.np/upload_file/files/post/

INTERNATIONAL UPDATES

Public Sector Needs to Prepare for Sustainability Reporting and Assurance Challenge

Across the globe momentum is building for sustainability reporting and assurance in the public sector. The IPSASB decided to move forward with the development of public sector specific sustainability reporting standards beginning with a Climate-Related Disclosures standard. Finance and audit professionals working in government, public sector bodies and supreme audit institutions – Auditors-General's offices, Courts of Accounts and similar (SAIs) – can demonstrate leadership on this agenda, driving action to progress transparent reporting and assurance of expenditure and actions to address sustainability challenges. At the World Investment Forum in Abu Dhabi on 16th October three global bodies, ACCA, IFAC and IDI launched a summary of their forthcoming introduction to sustainability and assurance in the public sector. Further details can be viewed from the link below:

https://www.ifac.org/news-events/2023-10/public-sector-needs-prepare-sustainability-reporting-and-assurance-challenge

IPSASB Issues Exposure Draft (ED) 85, Improvements to IPSAS, 2023

The International Public Sector Accounting Standards Board (IPSASB) has issued Exposure Draft (ED) 85, Improvements to IPSAS, 2023. ED 85 proposes minor improvements to accrual basis IPSAS that arise through publications of the International Accounting Standards Board (IASB). The proposals in this exposure draft may be modified in light of comments received before being issued in final form. Comments are due by December 18, 2023 and must be submitted in English. Further details can be viewed from the link below:

https://www.ipsasb.org/news-events/2023-10/ipsasb-issues-exposure-draft-ed-85-improvements-ipsas-2023

IPSASB Issues Updated Chapters of Conceptual Framework

The International Public Sector Accounting Standards Board (IPSASB), developer of IPSAS, international accrual-based accounting standards for use by governments and other public sector entities around the world, has published an updated chapter of its Conceptual Framework, which establishes the concepts that are applied in developing IPSAS and Recommended Practice Guidelines (RPGs) and are applicable to the preparation and presentation of public sector entities' general purpose financial reports. The Conceptual Framework enables the IPSASB to ensure the consistency of its standard-setting by strengthening the linkage between IPSASs. Additionally, the transparency of the concepts underpinning the development of IPSASs and RPGs enhances the IPSASB's accountability. he updated chapter, Chapter 3, Qualitative Characteristics, completes the limited scope project to improve its Conceptual Framework for Financial Reporting by Public Sector Entities. Further details can be viewed from the link below:

https://www.ipsasb.org/news-events/2023-10/ipsasb-issues-updated-chapters-conceptual-framework

IPSASB Issues IPSAS 49, Retirement Benefit Plans

The International Public Sector Accounting Standards Board (IPSASB), developer of international accrual-based accounting standards for use by governments and other public sector entities around the world, has issued *International Public Sector Accounting Standard (IPSAS) 49, Retirement Benefit Plans*. Further details can be viewed from the link below:

https://www.ipsasb.org/news-events/2023-11/ipsasb-issues-ipsas-49-retirement-benefit-plans

New IAASB Resources Alert: Explore ISSA 5000 FAQ on Materiality

As part of its intensive outreach campaign across the globe, the IAASB has heard requests from a range of stakeholders to provide additional information on materiality matters to better help them navigate the recently proposed International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements. Accordingly, a comprehensive set of Frequently Asked Questions (FAQs), The Application of Materiality by the Entity and the Assurance Practitioner, has been developed.

The comment period for proposed ISSA 5000 is open until December 1, 2023.

Further details can be viewed from the link below:

https://www.iaasb.org/news-events/2023-10/new-iaasb-resources-alert-explore-issa-5000-faq-materiality

New Edition of the IAASB Handbook Now Available on the IAASB Website & for Print Orders

The IAASB has released the 2022 edition of the Handbook of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements. Further details can be viewed from the link below:

https://www.iaasb.org/news-events/2023-10/new-edition-iaasb-handbook-now-available-iaasb-website-print-orders

Proposed ISSA 5000: IAASB's Global Outreach Campaign

The International Auditing and Assurance Standards Board (IAASB) launched a public consultation on its landmark proposed global sustainability assurance standard, International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements.* It also committed to an extensive, high-level outreach plan to ensure broad stakeholder input to improve both the quality of and trust in the final standard. This plan included in-person roundtables around the world, virtual webinars for global audiences, and regional and national meetings with regulators and oversight bodies. Further details can be viewed from the link below:

https://www.iaasb.org/news-events/2023-11/proposed-issa-5000-iaasb-s-global-outreach-campaign

New Standard for Audits of Less Complex Entities Issued By IAASB

The International Auditing and Assurance Standards Board (IAASB) today published the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities, known as the ISA for LCE. The ISA for LCE is a standalone global auditing standard designed specifically for smaller and less complex businesses and organizations. The standard is effective for audits beginning on or after December 15, 2025 for jurisdictions that adopt or permit its use.

https://www.iaasb.org/news-events/2023-12/new-standard-audits-less-complex-entities-issued-iaasb

IAASB Issues Guidance for Assurance Practitioners When Citing IFRS Accounting Standards

The International Auditing and Assurance Standards Board (IAASB) has issued guidance to help stakeholders understand how to reference IFRS Accounting Standards to follow recent updates to the IFRS Foundation Trade Mark Guidelines. The updated IFRS Foundation guidelines require, amongst other things, that International Accounting Standards Board standards, including the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs), be referred to as “IFRS Accounting Standards”. Further details can be viewed from the link below:

https://www.iaasb.org/news-events/2023-12/iaasb-issues-guidance-assurance-practitioners-when-citing-ifrs-accounting-standards

IAASB Enhances Auditor’s Report Transparency on Independence to Reflect Revisions in The IESBA Code of Ethics

The International Auditing and Assurance Standards Board (IAASB) has released amendments aimed at bolstering transparency and providing auditors with a clear mechanism to action changes to the International Ethics Standards Board for Accountants’ (IESBA) Code of Ethics for Professional Accountants (including International Independence Standards). The IAASB amended International Standard on Auditing 700 (Revised), Forming an Opinion and Reporting on Financial Statements and ISA 260 (Revised), Communication with Those Charged with Governance. Further details can be viewed from the link below:

https://www.iaasb.org/news-events/2023-10/iaasb-enhances-auditor-s-report-transparency-independence-reflect-revisions-iesba-code-ethics

IESBA Staff Releases Q&As to Support Adoption and Implementation of International Independence Standard on Group Audits

The Staff of the International Ethics Standards Board for Accountants (IESBA) today released a questions and answers (Q&A) publication on the pronouncement Revisions to the Code Relating to the Definition of Engagement Team and Group Audits. The revisions to the Code address holistically the various independence considerations in an audit of group financial statements. Further details can be viewed from the link below:

https://www.ethicsboard.org/news-events/2023-10/iesba-staff-releases-qas-support-adoption-and-implementation-international-independence-standard

IESBA Announces Successful Completion and Approvals of Sustainability Exposure Draft And Tax Planning-Related Ethics Standard

the International Ethics Standards Board for Accountants (“IESBA”) successfully completed and approved an Exposure Draft on Ethics and Independence Standards for Sustainability Reporting and Assurance and the final Ethics Standard for Tax Planning and Related Services. Other major achievements of the IESBA December Board meeting include the approval of an Exposure Draft on the Use of Experts and of the IESBA’s Strategy and Work Plan for 2024-2027.

https://www.ethicsboard.org/news-events/2023-12/iesba-announces-successful-completion-and-approvals-sustainability-exposure-draft-and-tax-planning

IASB Consults on Improved Accounting Requirements for Financial Instruments with Both Debt and Equity Features

The International Accounting Standards Board (IASB) has proposed amendments to address the challenges in companies' financial reporting on instruments that have both debt and equity features. To address these challenges, the proposals in the Exposure Draft would amend IAS 32, IFRS 7 Financial Instruments: Disclosures, and IAS 1 Presentation of Financial Statements. The deadline for comments to the Exposure Draft Financial Instruments with Characteristics of Equity—Proposed amendments to IAS 32, IFRS 7 and IAS 1 is 29 March 2024. Further details can be viewed from the link below:

https://www.ifrs.org/news-and-events/news/2023/11/iasb-consults-on-improved-accounting-requirements-for-financial-instruments/

GRI Establishes Sustainability Innovation Lab in Coordination with the IFRS Foundation

Global Reporting Initiative (GRI) has announced the upcoming launch of the Sustainability Innovation Lab (SIL), in partnership with the IFRS Foundation as its Convening Partner. The SIL is being established to enable companies to meet their evolving sustainability disclosure requirements, fostering professional development, training, practical solutions, and innovative thinking. Further details can be viewed from the link below:

https://www.ifrs.org/news-and-events/news/2023/11/gri-establishes-sustainability-innovation-lab-in-coordination-with-the-ifrs-foundation/

IFAC Releases Sustainability Checklist for Small Businesses

The International Federation of Accountants (IFAC) released a *Small Business Sustainability Checklist* (the Checklist) to help small- and medium-sized enterprises (SMEs) maximize the benefits of incorporating sustainability into their strategy and business operations. Further details can be viewed from the link below:

https://www.ifac.org/news-events/2023-11/ifac-releases-sustainability-checklist-small-businesses

New IFAC & CA ANZ Quality Management Toolkit Will Help Small- and Medium-Sized Practices Globally

The International Federation of Accountants (IFAC) and Chartered Accountants Australia and New Zealand (CA ANZ) released a quality management toolkit to help small- and medium-sized practices (SMPs) implement the International Auditing and Assurance Standards Board's (IAASB) suite of quality management standards. Further details can be viewed from the link below:

https://www.ifac.org/news-events/2023-11/new-ifac-ca-anz-quality-management-toolkit-will-help-small-and-medium-sized-practices-globally145yui;'

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Unique Document Identification Number (UDIN) यकिन गर्ने बारे सूचना

नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था नेपालमा लेखाव्यवसायको विकास, संरक्षण र सम्बर्द्धन गर्नको लागि नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३ अन्तर्गत स्थापित एक स्वायत्त नियमनकारी निकाय रहेको सर्वविदितै छ । संस्थाका पेशागत प्रमाणपत्र प्राप्त सदस्यहरुले लेखापरीक्षण (Audit) वा प्रमाणिकरण (Certification) लगायतका कार्यहरु गर्दा आफ्नो प्रत्येक प्रतिवेदनमा अनिवार्य रुपमा १८ अकंको एक अद्बितिय संकेत नं. (Unique Document Identification Number- UDIN) संस्थाको वेभसाईट www.ican.org.np मा रहेको UDIN Portal बाट जारी गरी सो नम्बर आफ्नो प्रतिवेदनमा उल्लेख गर्नुपर्ने व्यवस्थालाई मिति २०७६ कार्त्तिक ०१ गतेबाट अनिवार्य लागू गरिएको व्यहोरा सर्वविदितै छ ।

यसै सन्दर्भमा कुनै पनि व्यक्ति वा निकायको लेखापरीक्षण वा प्रमाणिकरण गरी संस्थाका पेशागत प्रमाणपत्र प्राप्त सदस्यहरुले प्रदान गर्ने प्रतिवेदनहरुमा अनिवार्य रुपमा १८ अंकको अद्बितिय संकेत नम्बर (UDIN), हस्ताक्षर मिति, लेखापरीक्षण फर्मको छाप, लेखापरीक्षकको नाम तथा पेशागत प्रमाणपत्र नं. लगायतका विवरणहरु उल्लेख नभई प्राप्त भएमा सो प्रतिवेदन स्वीकार नगर्न सरोकारवाला सबैमा अनुरोध गरिन्छ। साथै संस्थाका पेशागत प्रमाणपत्र प्राप्त सदस्यहरुले हस्ताक्षर गरेको लेखापरीक्षण वा प्रमाणिकरण लगायतका कार्यहरुको प्रतिवेदनमा यस्तो UDIN, हस्ताक्षर मिति, लेखापरीक्षण फर्मको छाप, लेखापरीक्षकको नाम तथा पेशागत प्रमाणपत्र नं. नभएमा सो प्रतिवेदन यस संस्थाको लागि आधिकारिक नहुने व्यहोरा जानकारी गराईन्छ। साथै कुनै प्रतिवेदनमा उल्लेख भएको UDIN यथार्थ तथा आधिकारिक भए नभएको सम्बन्धमा नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्थाको वेभसाईट वा सिधै https://udin.ican.org.np/verifydocument मा गई जाँच गर्न सकिने व्यहोरा समेत जानकारी गराईन्छ ।

MEMBERS AND FIRM UPDATE

[From October 2023 – December 2023]

Name and Membership Number of New Chartered Accountants (CA) Member

The Institute registered Chartered Accountant Members pursuant to Section 16(2) of the Nepal Chartered Accountants Act, 1997. New CA Membership issued during this quarter from October to December 2023 is presented in table below:

S.N	Membership No.	Members Name	S.N	Membership No.	Members Name
1	CA-2115	Krishna Adhikari	25.	CA-2139	Bijay Pokhrel
2	CA-2116	Sanjog Dulal	26.	CA-2140	Madhav Pokharel
3	CA-2117	Sagar Acharya	27.	CA-2141	Madhav Bista
4	CA-2118	Purushotam Kumar Singh	28.	CA-2142	Yogesh Sharma
5	CA-2119	Krishna Panthee	29.	CA-2143	Anil Karki
6	CA-2120	Surya Bahadur Khadka	30.	CA-2144	Keshab Prasad Pandey
7	CA-2121	Pratima Pandey	31.	CA-2145	Ashma Khanal
8	CA-2122	Subekshya Sedhain	32.	CA-2146	Sachina Kunwar
9	CA-2123	Ghanisha Kunwar	33.	CA-2147	Prashant Babu Prasai
10	CA-2124	Sonu Maharjan	34.	CA-2148	Jemi Shrestha
11	CA-2125	Rajan Pathak	35.	CA-2149	Shristi Sapkota
12	CA-2126	Wilson Munakarmi	36.	CA-2150	Sandip Karki
13	CA-2127	Subas Jnawali	37.	CA-2151	Ojaswi Pokharel
14	CA-2128	Saurab Kandel	38.	CA-2152	Rabita Manandhar
15	CA-2129	Samir Khadka	39.	CA-2153	Madhu Sudan Giri
16	CA-2130	Uma Devi Thapa	40.	CA-2154	Sudip Danee
17	CA-2131	Manisha Dwivedi	41.	CA-2155	Sushil Thapa
18	CA-2132	Anjalee Sawad	42.	CA-2156	Ram Prakash Sah
19	CA-2133	Ujjwal Karki	43.	CA-2157	Govind Lekhak
20	CA-2134	Pankaj Dahal	44.	CA-2158	Siddhant Jhunjhunwala
21	CA-2135	Sujan Pant	45.	CA-2159	Suyog Upadhyaya Regmi
22	CA-2136	Bijaya Moktan Tamang	46.	CA-2160	Subhash Gautam
23	CA-2137	Srijana Poudel Sharma	47.	CA-2161	Prakash Acharya
24	CA-2138	Nasala Shakya	48.	CA-2162	Anita Budhathoki

Name and Membership Number of New Fellow Chartered Accountants (FCA) Member

The Institute registered Fellow Chartered Accountants pursuant to Section 17(b) of the Nepal Chartered Accountants Act, 1997. New Fellow Chartered Accountants Membership issued during this quarter from October to December 2023 is presented in table below:

S.N	Membership No.	Members Name	S.N	Membership No.	Members Name
1	CA-676	Ankit Tayal	6.	CA-1170	Anil Phuyal
2	CA-772	Mukesh Verma	7.	CA-1231	Ankit Aryal
3	CA-773	Pravin Sarawagi	8.	CA-1234	Ujjawal Mainali
4	CA-839	Munna Prasad	9.	CA-1298	Kshitiz Koirala
5	CA-1142	Santosh Pandey			

Name and Membership Number of New Certificate of Practice (CoP) issued Member

The Institute issues Certificate of Practice to the Chartered Accountant Members pursuant to Section 28 of the Nepal Chartered Accountants Act, 1997. New CA Membership issued during this quarter from October to December 2023 is presented in table below:

S.N	Membership No.	Members Name	S.N	Membership No.	Members Name
1	CA-1129	Lab Bahadur Rawal	14.	CA-2127	Subas Jnawali
2	CA-1319	Pankaj Acharya	15.	CA-2128	Saurab Kandel
3	CA-1368	Anil Lamichhane	16.	CA-2129	Samir Khadka
4	CA-1544	Saroj Bhandari	17.	CA-2135	Sujan Pant
5	CA-1592	Shiwani Shrestha	18.	CA-2141	Madhav Bista

6	CA-1908	Susan Bartaula	19.	CA-2144	Keshab Prasad Pandey
7	CA-2004	Pravin Devkota	20.	CA-2147	Prashant Babu Prasai
8	CA-2041	Heman Bajgain	21.	CA-2152	Rabita Manandhar
9	CA-2103	Shambhu Budhathoki	22.	CA-2153	Madhu Sudan Giri
10	CA-2109	Neha Agrawal	23.	CA-2154	Sudip Danee
11	CA-2110	Saugat Bhujel	24.	CA-2157	Govind Lekhak
12	CA-2117	Sagar Acharya	25.	CA-2158	Siddhant Jhunjhunwala
13	CA-2126	Wilson Munakarmi	26.	CA-2159	Suyog Upadhyaya Regmi

Name of New Chartered Accountancy Firm

The Institute issues registration of Auditing Firms pursuant to Section 28A of the Nepal Chartered Accountants Act, 1997. New firms registration during during this quarter from October to December 2023 is presented in table below:

S.N	Firm No.	Firm Name	S.N	Firm No.	Firm Name
1	2619	Jagat Prakash & Company	15.	1254	Samir Khadka & Associates
2	1245	Aadesh & Associates	16.	6247	Raj Kishor & Associates
3	1246	Neha & Associates	17.	6248	Lila Dhar Aryal & Associates
4	6243	Ganesh P. Dahal & Associates	18.	6249	K. G. Thapa & Associates
5	1247	U. N. & Associates	19.	1255	Keshab Pandey & Associates
6	6244	Jaya Prasad Regmi & Associates	20.	1256	S. Bartaula & Associates
7	6245	T. P. Bhusal & Associates	21.	1257	S. Danee & Associates
8	6246	L. B. Regmi & Associates	22.	1258	R. Manandhar & Associates
9	1248	Acharya P. & Associates	23.	1259	Prashant & Associates
10	1249	Saurab Kandel Associates	24.	1260	Lekhak & Associates
11	1250	Wilson M. & Associates	25.	1261	Shiwani & Associates
12	1251	A. Sagar & Associates	26.	1262	M. Bista & Associates
13	1252	Rajan Sapkota & Associates	27.	1263	Suyog Regmi & Associates
14	1253	Subas Jnawali & Associates			

संस्थाका पेशागत सदस्यहरूलाई सूचीकृत नहुनको लागि पुनः जारी गरिएको सूचना !

मितिः २०८०/०९/२३

'नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था' नेपालमा लेखाव्यवसायको विकास, संरक्षण र सम्र्बद्धन गर्नको लागि नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३ अन्तर्गत स्थापित एकमात्र स्वशासित नियमनकारी निकाय हो । नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३ अर्न्तगत प्रचलित कानुन अनुसार लेखाव्यवसाय गर्नको लागि यस संस्थामा दर्ता भई कायम रहेका पेशागत प्रमाण पत्र प्राप्त सदस्यहरु मात्र योग्य रहने व्यवस्था छ ।

संस्थाका पेशागत सदस्यहरुले आफ्नो लेखाव्यवसायसँग सम्बन्धित सेवा प्रदान गर्नकै लागि शुल्क तिरी वा नतिरी कुनै निकायमा दर्ता वा सूचीकृत हुनुपर्ने भएमा लेखापरीक्षण कार्यको निश्पक्षता तथा स्वतन्त्रता माथि प्रश्नचिन्ह खडा हुन सक्ने तथा समग्र स्वतन्त्र लेखापरीक्षण व्यवसायप्रति नै अन्यौल सिर्जना हुन जाने भएको र पेशागत सदस्यहरुले लेखापरीक्षण वा अन्य लेखाव्यवसाय गर्नको लागि विभिन्न निकायमा सूचीकुत हुनु पर्ने व्यवस्था व्यवहारिक समेत नहुने स्पष्ट देखिन्छ । यसै सन्दर्भमा परिषदको १३२ औं बैठकको निर्णयले पेशागत प्रमाणपत्र प्राप्त सदस्यहरु बाट सम्पादन गरिने लेखा, लेखापरीक्षण वा लेखाव्यवसायसँग सम्बन्धित कुनै पनि कार्य गर्न कुनै पनि निकायमा सूचीकरण गर्नु नपर्ने व्यवस्था गरी संस्थाका सबै सदस्यहरुलाई कुनैपनि निकायमा सूचीकरण नहुन निर्देशन दिने निर्णय गरेको थियो ।

यसर्थ संस्थाका पेशागत सदस्यहरुले कुनै पनि प्रकारको शुल्क वा रकम तिरी वा नतिरी '**सूचीकृत**' भए गरेको पाईएमा नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३, नेपाल चार्टड एकाउन्टेन्ट्स नियमावली, २०६१ र लेखापरीक्षण सम्बन्धी आचार संहिताको पालना नगरेकोमा आवश्यक कारबाही हुने व्यहोरा सम्बन्धित सबैमा जानकारी गराउँदै यस्तो कार्य नगर्नहुन पुनः यो सुचना प्रकाशित गरिएको छ । तर संस्थाका पेशागत सदस्यहरुले कुनै पनि प्रकारको शुल्क वा दस्तुर नतिरी सम्बन्धित निकायबाट लेखापरीक्षण वा अन्य लेखाव्यवसाय सम्बन्धी कार्यको लागि '**आशयपत्र**' माग भएमा आफ्नो प्रस्ताव पेश गर्न सक्नेछन् ।

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सिए संजय कुमार सिन्हा

कार्यकारी निर्देशक

पेशागत सदस्यहरूले जारी गर्ने प्रतिवेदनहरूमा समावेश गरिने Unique Document Identification Number (UDIN) सम्बन्धी सूचना

यस संस्थाका पेशागत प्रमाणपत्र प्राप्त सदस्यहरुले लेखापरीक्षण तथा प्रमाणिकरण लगायतका कार्यहरु गरी प्रतिवेदन जारी गर्दा संस्थाको UDIN Portal बाट 18 Digit को UDIN लिई सो UDIN उक्त प्रतिवेदनमा समेत उल्लेख गर्नुपर्ने व्यवस्था अनिवार्य गरिसकिएको व्यहोरा सर्वविदितै छ । यसरी UDIN समावेश नगरी जारी गरिएका प्रतिवेदनहरुलाई संस्थाले मान्यता नदिने तथा त्यस्तो प्रतिवेदन जारी गर्ने सदस्यहरु कारबाहीको भागिदार हुने व्यवस्था समेत यस अघिनै सूचीत गराईसकिएकोमा यस व्यवस्थाको प्रभावकारी कार्यान्वयनको लागि पुन: यो सूचना प्रकाशित गरिएको छ ।

यस सन्दर्भमा संस्थाका पेशागत सदस्यहरुले तल उल्लेखित लेखापरीक्षण तथा प्रमाणिकरण लगायत अन्य कार्य गर्दा प्रत्येक प्रतिवेदनको लागि छुट्टै अनुबन्धन गर्नुको साथै छुट्टा छुट्टै UDIN Generate गरी उक्त प्रतिवेदनहरुमा अनिवार्य रुपमा UDIN समोवश गर्नुपर्नेछ ।

- बाह्य लेखापरीक्षण (Statutory Audit)
- आन्तरीक लेखापरीक्षण (Internal Audit)
- कर लेखापरीक्षण (Tax Audit)
- दाता/प्रोजेक्ट लेखापरीक्षण (Donor/Project Audit)
- बिशेष प्रयोजनका लागि गरिने लेखापरीक्षण (Special Purpose Audit)
- मुल्यांकन लेखापरीक्षण (Due Diligence Audit)
- संचालन लेखापरीक्षण (Operational Audit)
- शाखा लेखापरीक्षण (Branch Audit)
- समुह लेखापरीक्षण (Group Audit)
- नियमकारी निकायलाई आवश्यक पर्ने प्रतिवेदन जस्तै (Long Firm Audit Report- LFAR)
- अन्य लेखापरीक्षण (Other Audits)
- मुल्यांकन प्रतिवेदन (Valuation Report)
- कुनै पनि प्रमाणिकरण कार्य जस्तै (Working Capital Certification, Sec 78 of Company Act Certification, etc.)
- अन्य प्रमाणिकरणहरु (Other Certifications)
- समीक्षा सम्बन्धी अनुबन्ध (Review Engagement such as: Internal Control Review, Review engagement under NSRE 2400 and 2410)
- आश्वस्तता सम्बन्धी अनुबन्ध (Assurance Engagements such as: Assurance engagement under NSAE 3000, 3402, 3410 and 3420)
- सम्बद्ध सेवा सम्बन्धी अनुबन्ध (Related Service Engagements such as: Engagement under NSRS 4400 and 4410)
- पेशागत सदस्यको रुपमा जारी गर्ने अन्य प्रतिवेदनहरु (Other)

यसरी संस्थाले जारी गरेका निर्देशनहरुको विपरित UDIN उल्लेख नगरिएका प्रतिवेदन जारी गर्ने पेशागत प्रमाणपत्र प्राप्त सदस्यलाई नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३ र नेपाल चार्टर्ड एकाउन्टेन्ट्स नियमावली, २०६१ बमोजिम आवश्यक कारबाहीको प्रकृया अगाडी बढाईने व्यहोरा समेत जानकारी गराईन्छ ।

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सिए संजय कुमार सिन्हा
कार्यकारी निर्देशक

आर्थिक बर्ष २०८०/८१ को सि.पि.ई. कार्यक्रम तालिका

आर्थिक वर्ष २०८०/८१ मा सञ्चालन हुने सि.पि.ई तालिमहरू निम्न मिति र स्थानमा संचालन हुने भएकोले ईच्छुक सदस्य महानुभावहरूले उपयुक्त हुने स्थान र मितिमा सम्बन्धित संस्थासँग सम्पर्क गर्नको लागि यो सूचना प्रकाशित गरिएको छ ।

क्र.सं.	मिति	तालिम संचालन हुने स्थान	तालिम संचालन गर्ने संस्था
१.	२०८० भाद्र ०८, ०९ र १०	काठमाडौं र जनकपुर	ICAN/AuDAN
२.	२०८० भाद्र २९, ३० र ३१	चितवन	AuDAN
३.	२०८० आश्विन १२, १३ र १४	काठमाडौं	AuDAN
४.	२०८० आश्विन १९, २० र २१	काठमाडौं	ICAN
५.	२०८० मंसिर ०८, ०९ र १०	नेपालगन्ज, काठमाडौं र हेटौंडा	ICAN/ICAN/AuDAN
६.	२०८० मंसिर २१ र २२	काठमाडौं	ACAN
७.	२०८० मंसिर २२, २३ र २४	महेन्द्रनगर र काठमाडौं	AuDAN/AuDAN
८.	२०८० माघ ०५, ०६ र ०७	काठमाडौं र विरगंज	ICAN/ICAN
९.	२०८० माघ ११ र १२	जनकपुर	ACAN
१०.	२०८० माघ १२, १३ र १४	सुर्खेत	AuDAN
११.	२०८० माघ २६, २७ र २८	धनगढी	AuDAN
१२.	२०८० फाल्गुण ०३, ०४, र ०५	विराटनगर	ACAN
१३.	२०८० फाल्गुण ११, १२ र १३	भैरहवा	AuDAN
१४.	२०८० फाल्गुण १३, १४ र १५	बुटवल	ACAN
१५.	२०८० फाल्गुण १८, १९ र २०	काठमाडौं	AuDAN
१६.	२०८० चैत्र ०९, १० र ११	धनगढी र विराटनगर	ICAN/AuDAN
१७.	२०८० चैत्र १६, १७ र १८	काठमाडौं	AuDAN
१८.	२०८० चैत्र २२, २३, र २४	काठमाडौं र चितवन	ICAN/ACAN
१९.	२०८० चैत्र २३, २४ र २५	पोखरा	AuDAN
२०.	२०८१ वैशाख ७, ८ र ९	विराटनगर, विर्तामोड र बागलुङ्ग	ICAN/AuDAN/AuDAN
२१.	२०८१ वैशाख १०, ११ र १२	पोखरा	ACAN
२२.	२०८१ वैशाख १४, १५ र १६	विरगंज र काठमाडौं	AuDAN/AuDAN
२३.	२०८१ वैशाख २१, २२ र २३	काठमाडौं	ICAN
२४.	२०८१ वैशाख २८, २९ र ३०	पोखरा र पाल्पा	ICAN /ICAN
२५.	२०८१ जेठ ०५, ०६ र ०७	काठमाडौं	ICAN
२६.	२०८१ जेठ ११, १२ र १३	दाङ्ग र काठमाडौं	ICAN/AuDAN
२७.	२०८१ जेठ २५, २६, २७	काठमाडौं	AuDAN
२८.	२०८१ आषाढ ०७, ०८ र ०९	काठमाडौं	AuDAN
२९.	२०८१ आषाढ १३, १४ र १५	काठमाडौं	ACAN
३०.	२०८१ आषाढ २१, २२ र २३	काठमाडौं	ICAN
३१.	२०८१ आषाढ २८, २९ र ३०	काठमाडौं	AuDAN

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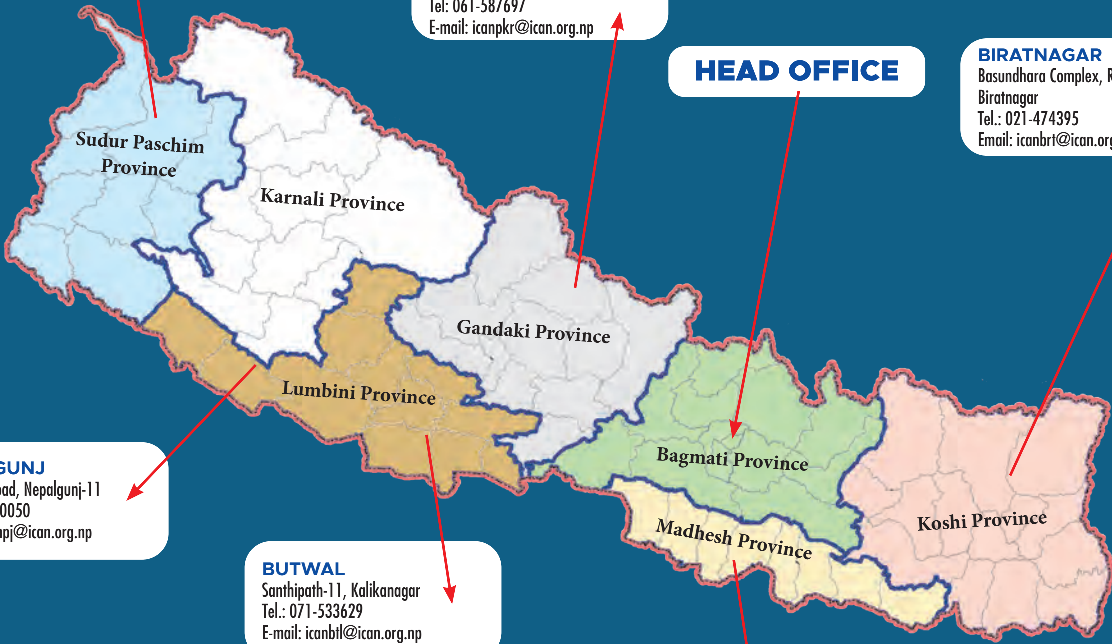

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