

**Government of Nepal**  
**Ministry of Federal Affairs and Local Development**  
**Local Governance and Community Development Programme (LGCDP)**

**TRAVEL REPORT**

for eg. Facilitated for VDC letter to DDC for settlement of pending CAC audit issue.

- ii. briefed OAG/N officials about the nature of LGCDP audit issues and possible documents for clearance - Kailali, Achham, Kanchanpur, Dadeidhura, Baitadi
7. Discussion with DCC management on actual progress on documentation etc
  8. Oriented SMs during cluster meetings for possible support on collection of evidences/supporting document to clear long pending audit issues
  9. Regular follow up from RCU - telephonic f/up, visits

Here is the update of audit arrears amount as per RCU records –

District	LGCDP I	LGCDP II (FY 2013-14 & 2014-15)	Total outstandin g audit arrears as of 15 July 2016	Correction based on actual audit record at DCC	Actual outstanding audit arrears	SETTLED TILL 15 March 2016	Prog ress	Documentation ready for settlement
Baitadi	60,536,636	9,885,342	70,421,978	(50,244,600)	20,177,378	0	0%	
Achham	13,505,185	134,512	13,639,697	(6,614,015)	7,025,682	50,93,118	37%	
Bajura	12,876,254	200,975	13,077,229		13,077,229	41,975	0.3%	
Darchula	6,506,568	4,274,049	10,780,617		10,780,617	755,664	7%	
Kailali	5,387,451	4,908,010	10,295,461		10,295,461	0	0%	There are progress in settlement
Dadeidhura	4,307,595	5,370,000	9,677,595		9,677,595	24,69,600	26%	document submitted - 20 Lakh + 14 Lakh advance settlement/
Doti	5,181,583		5,181,583		5,181,583	240,000	5%	
Bajhang	1,310,161	1,825,788	3,135,949		3,135,949	0	0%	
Kanchanpur	1,767,754	333,876	2,101,630	(714,560)	1,387,070	199,998	10%	There are progress in settlement
<b>Total</b>	<b>111,379,187</b>	<b>26,932,552</b>	<b>138,311,739</b>	<b>(57,573,175)</b>	<b>80,738,564</b>	<b>8,800,355</b>	<b>6%</b>	

RCU staff involved in monitoring expect that there will be good progress after election. RCU is taking help from SMs to trace the persons related long outstanding advances related to LGCDP I. RCU has developed monitoring sheets, templates and advised DDCs for necessary follow up letters to VDCs and other individuals for settlement of long pending advances.

<b>3</b>	<b>Key Issues/ challenges observed at the field (in bullet):</b>	<ul style="list-style-type: none"> <li>- Progress on settlement of audit arrears till trimester 2 compared to MoFALD's overall progress on audit settlement is very low (less than 10% in case of LGCDP whereas MoFALD's progress is more than 27%. Effective involvement of RCU in coordination with PCU account officer and PCU PFM specialist is very essential to expedite the progress on settling LGCDP audit issues.</li> <li>- LGCDP RCU was not officially informed to participate in such important gathering of far west DDCs in the context of RCU following up with DDCs for settlement of LGCDP related audit arrears.</li> <li>- There was no female participants from DDCs which is not encouraging from gender perspective.</li> </ul>
<b>4</b>	<b>Feedback / Suggestions: (in bullet):</b>	<ul style="list-style-type: none"> <li>- LGCDP PCU need to guide as well as follow up substantially for effective monitoring on LGCDP audit arrears through RCU team since the total progress of MoFALD as a whole reached to 27% settlement of outstanding audit arrears whereas LGCDP audit arrears reduced only by 6 to 10%</li> <li>- LGCDP PCU need to ensure effective coordination with finance section of MoFALD to manage regional level discussion workshops on LGCDP audit arears. Currently MoFALD officials are getting support from other projects to organize regional level workshop on PFM, training on accounting software and discussion on DDC related outstanding audit arrears. For example, there were such events in Biratnagar (supported by Danish funded UNNATI programme), Pokhara (Supported by RWSSP) and Dhangadi (supported by RVWRMP). LGCDP related issues were hardly discussed in those events. Since last two years, LGCDP PCU has not managed such events focusing on PFM related activities and LGCDP audit arrears on Development Partners' fund.</li> </ul>

Report prepared and submitted by:

Mohan P Dhakal  
 PFM Specialist, DP Cell, LGCDP  
 Date: 23.03.2017

Report Certified by:

Date:

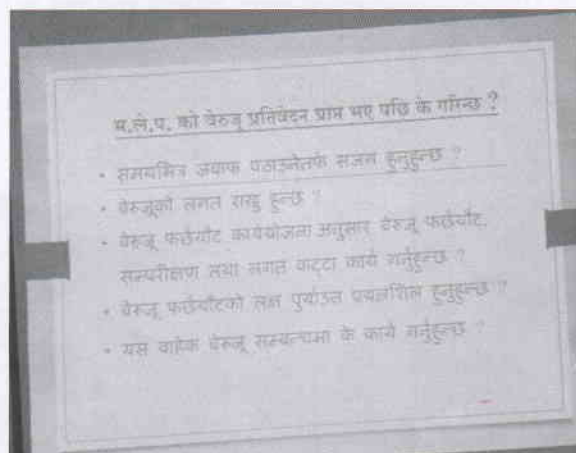
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During discussion on audit arrears, chief of finance presented overall progress of MoFALD on settling outstanding audit arrears. There is a progress of 27.68% reduction in total outstanding audit arrears of MoFALD. There was a presentation on current year audit action plan circulated to all DDCs.

Below table presented in the training shows overall progress of MoFALD on settlement of outstanding audit arrears

Type of audit arrears	Total Outstanding Audit arrears as of 15 July 2016 (NPR in billion)
To be regularized	3,63
Advances	8,71
Recoverable	0,48
Total	12,82
Settled	3,54
Progress	27.64%



Outstanding audit arrears amount by district as per MoFALD's update was presented and discussed. Here is the progress of 11 districts participated in this training

SN	Districts	Outstanding audit arrears till 15 July 2015	Settlement during FY 2016-17 (till T2)	Progress (%)
1	Bajhang	43,412,417	11,335,577	26.11
2	Dailekh	65,260,965	-	0
3	Dadeldhura	70,564,754	-	0
4	Kanchanpur	87,544,161	35,84,43,14	0
5	Doti	90,405,783	-	0
6	Humla	102,807,231	10,559,306	10.27
7	Darchula	180,861,210	-	0
8	Achham	193,139,544	30,000	0.02
9	Kailali	286,709,904	91,327,356	31.85
10	Bajura	315,124,804	110,050,156	34.92
11	Baitadi	321,845,048	-	0
<b>Total</b>		<b>1,757,675,822</b>	<b>223,302,395</b>	<b>12.70</b>

**Review and discussion on o-going attempts of RCU Dhangadi on monitoring and facilitation for reducing LGCDP related audit arrears –**

Dhangadi RCU has been active in monitoring and facilitation on settlement of LGCDP audit arrears at DCCs. Based on OAG/N audit report, LGCDP provided district wise detail to respective RCUs and RCUs are cross checking arrears amount with DCC records. It is noted that RCU Dhangadi involved in following activities in the course of monitoring and update on progress on settlement of DCC audit arrears.

1. Reviewed audit arrears detail and developed BERUJU monitoring format by RCU
2. formed 4 different teams and visited all DCCs
3. discussion with LDO, account officer and internal auditor of respective DCCs
4. Cross checked audit arrears detail provided by PCU with DDC's actual detail
5. Noted actual audit issues (list) noted from the detailed audit report from OAG/N (with type of audit issues)
6. Support provided to DCCs on :
  - i. mobilized LSP and SM to collect supporting document for audit clearance specially for regularize type of issues

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- LGCDP fund has not yet been released to municipality account. We were informed that salary etc for LGCDP related activities was managed from municipality's internal source and planned to request for LGCDP fund only in T3 where only activities will be expedited.
- Budget release for Municipality grants was also delayed due to activities didn't initiate in T1 and salary type of expenses were managed from municipality's internal sources.

Godavari Municipality (earlier Attariya Municipality) -

- Municipality office has yet to finalize appointment of auditors for FY 2015-16 audit. We were informed that this delay is due to absence of Executive officer (EO)
- Audit tracking register (LAGAT) is not yet maintained in office.
- We noted frequent changes of EOs and account officer which affected project implementation as well as important decision making at the municipality
- Office is using ShangriLa software for accounting records. However reports are not well customized resulting to manual work using excel
- LGCDP funds (365819) is released only on 15 November 2016(NPR 371,333). We were told that delay release is due to absence of EO. There was another release of same amount for JFA and NPR 758,000 for ADB source on 5 January 2017. Total expenditure so far is Rs 603,580 which is 40% of total budget released. Annual budget for the municipality is Rs. 2,251,000
- Municipality grant (365803) amount (total annual budget NPR 59,942,000) was also released lately, only on 22 December 2016. Out of total amount released NPR 26,436,000, total expenses so far is NPR 7, 224,071 (27%). We were briefed that low financial delivery is due to regular absence of EO, delay in approval of activities resulting to expenses limited to staff salary etc only.
- Similarly Nagar Chhetra Purbadhar Kosh (annual budget NPR 18,525,000) amount (365817) was released on 18<sup>th</sup> January and 28 February. Out of total NPR 8,525,000 released till T2, Rs. 4,892,063 has been spent (57%)

Observation of PFM training and discussion on audit arrears at Dhangadi for DDC account officials of 11DCCs:

Finland supported RWSSP project supported for organizing a 2 days refreshment training on DCC FAMP (earlier DDC FAMP) and 1 day for discussion on audit arrears of respective DCCs along with presentation on MoFALD's audit follow up action plan for current FY.

Earlier DDC FAMP for accounting records and reports of DDCs has been revised to fit with newly declared DCCs. New installation file was briefed and distributed to all account officials at the training. Policy level issues and presentation was led by finance chief Mr. Dhundi Niraula and supported by account officer Mr. Basanta Paudel. Technical session on the software was facilitated by PFMA supported PFM expert Mr Shailesh Bhattarai and MoFALD's IT expert.



Presence of chief of financial administration section of MoFALD added value in this training. He briefed ministry priorities, importance of web based financial recording and reporting system and instructed training participants on various relevant guidelines relating to financial management. He focused last day of the training programme on audit issues and instructed account officials to pay attention on settlement of arrears with priority.



Chief of finance shed light on important of financial administration. He expressed that nobody can point out to the finance section if prevailing rules and regulations are properly followed. He emphasized that since there is not internal control guideline exist, everyone should refer to relevant acts, rules and guidelines for ensuring financial discipline.

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**Programme/Project:** Local Governance Community Development Programme (LGCDP)  
**Name of visitor:** Mohan P Dhakal (accompanied with chief of finance, finance officer and PFM consultant of MOFALD)  
**Office/Place Visited:** DDC Kailali, Dhangadi sub-metropolitan office, Godavari (earlier Attaria) municipality, LGCDP RCU office and PFM training and audit arrears discussion in Dhangadi  
**Visit Date:** 16-19 March 2017  
**Activity No:**

1	<b>Objectives of Visit:</b>	1. Meeting with RCU colleagues to discuss and guide on LGCDP audit arrears and ongoing RCU monitoring visit to LBs on settlement of audit issues 2. Observe a training by MoFALD finance section to DDC account officials in Dhangadi.
2	<b>Activities Performed in visit (In bullet):</b>	- Short visit to newly declared LGs (earlier LBs) with LGCDP RCU officials to review progress on settlement of outstanding LGCDP audit arrears - Dhangadi sub metropolitan office and DDC Kailali: reviewed Beruju record system, requested concerned officials to provide update of settlement of LGCDP audit arrears. - Brief meeting with RCU colleagues on issues related to LGCDP audit arrears. - Observation of PFM training and discussion workshop on audit arrears for 11 DDC account officials (facilitated by Finance unit of MoFALD/event supported/financed by RVWRMP project)

**Detailed report**

Visit of LBs with RCU officials to review and monitor LGCDP audit arrears:

Visited Dhangadi sub-metropolitan office and DDC Kailali with RCU coordinator and Godavari municipality (earlier Attaria municipality) with RCU coordinator and GESI Expert to review outstanding LGCDP audit arrears and progress on settlement of audit arrears.

Main issues noted during the visit:

Kailali DCC (earlier DDC)-

- Ist trimester report of internal audit section has not yet been issued. However it is informed that internal auditor has gone through the documents of DDC. Even T1 and T2 report of last FY 2015-16 not available in account system. There is a tendency of producing report of annual internal audit only
- OAG/N has issued preliminary report for FY 2015-16 audit and DDC is working on response to audit queries. There are issues related to LGCDP too on advance to LSPs pending for settlement etc. We were informed that DDC has already managed to compile supporting documents to response audit queries on LGCDP funded activities.
- Out of NPR 10.3 million outstanding audit arrears related to LGCDP, there is no progress in settlement. However officials informed that DDC has managed to compile supporting documents to submit to OAG/N for settlement.
- DDC has managed to spend 87% of DDC grants (budget head 365801) released till T2. Total amount released is NPR 35,027,200 (62% of annual budget NPR-56.7 million) whereas total expenditure is NPR 30,615,955.
- For VDC grants (budget head 365802), there is a release of NPR 140,745,613 to VDCs (67 % of annual budget NPR 210,144,000)
- For LGCDP, expenditure is not shown by DDC FAMP report where manual records shows release of NPR 7,378,000.

Dhangadi Sub-Metropolitan Office -

- Beruju Lagat (audit tracking register) is not updated with FY 2015-16 audit issues. Audit report for FY 2015-16 was issued in January 2017 and auditors have pointed few issues which need to be recorded in a standard audit tracking register and address all the issues. Total audit arrears till as of 16 2016 (till FY 2014-15 after settlement during FY 2015-16) reported by the auditors is NPR 2,149,395.64 which includes 30,109.22 recoverable issues. There are no audit issues related to LGCDP.
- There is no trimester internal audit report for last FY and current FY.