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September 2008
Journal of the Institute of Chartered Accountants of Nepal

Focused on:

Contemporary Economics

Latest Amendments by Regulatory Bodies


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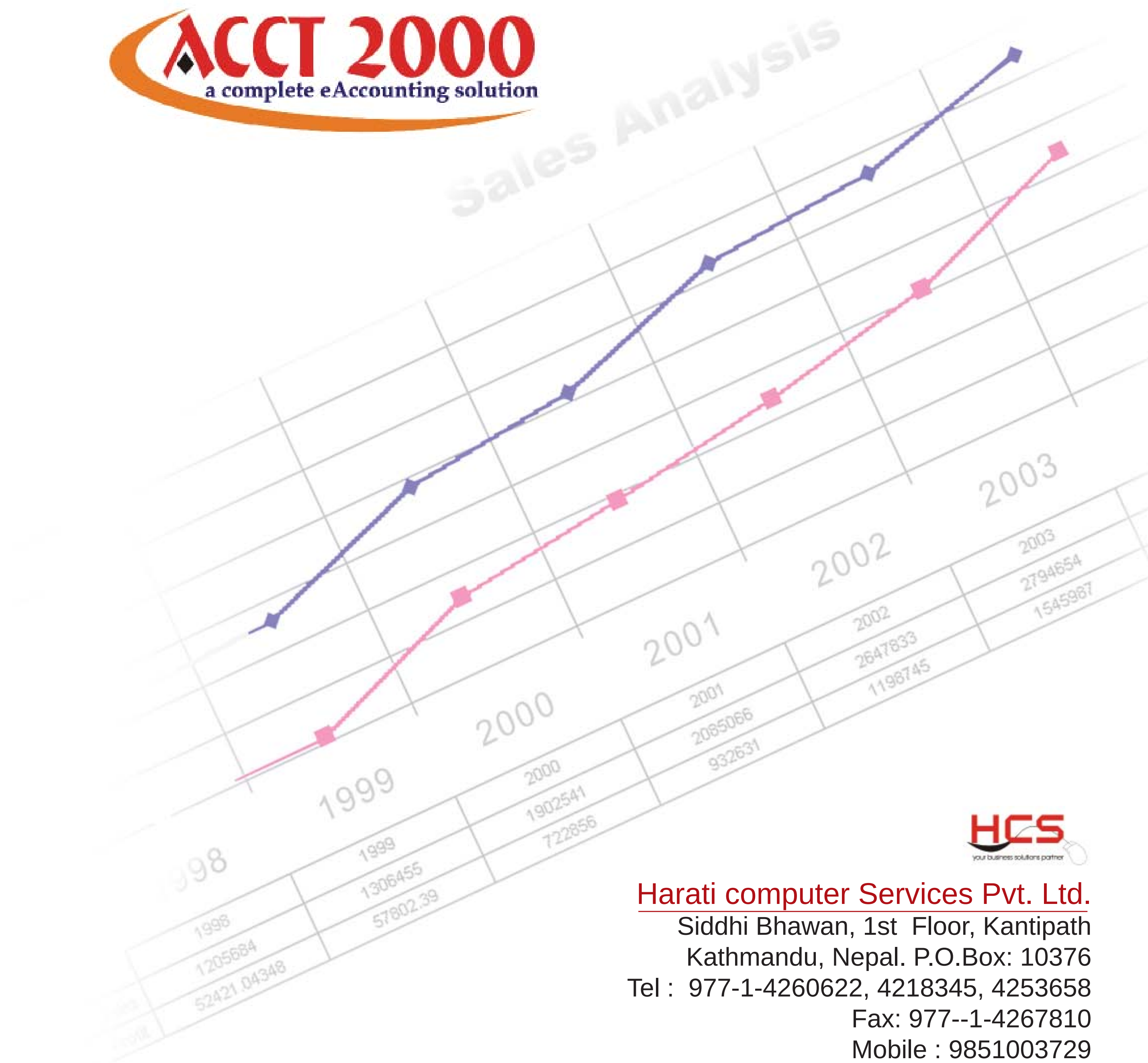

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL

September, 2008

THE NEPAL CHARTERED ACCOUNTANT

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

Editorial

We all being the member of ICAN, always craved for perfection and international recognition. Now the time has come and no doubt we have our name carved in the list of members of International Federation of Accountants (IFAC). So this is the moment to celebrate. The entire editorial team congratulate all the members for this marvellous achievement. Also we want to express our warm welcome to our new President and Vice President and hope the ultimate success of their tenure.

This time our magazine is issued for not two months, but due to delay in our operational procedure, this first issue of the year 2065-66 will be for three months. In this issue we have collected articles from different genres to make it as refreshing and as enlighting as we can. So the articles are broadly classified under categories like contemporary economics, accounting, auditing, law and regulation, banking, business and industry and health and prosperity. We have tried our best to present articles from almost all sectors of our profession.

Moreover from this issue onwards we have also made efforts to collect the changes and circulars issued by the various regulating bodies like Inland Revenue Department, Nepal Rastra Bank and Securities Board of Nepal. This will not only give information to the readers but will also provide a single platform to identify the major amendments made by the regulatory bodies. Our regular columns like news corner and photo gallery are continued with latest news and views.

The editorial board heartly thanks all the writers who shouldered us by providing their valuable articles. Since this journal is the ambassador of ICAN, we motivate other members also to show their pace in writing new and interesting articles so that this platform is best used by all the members. We also request all our readers to let us know their views and opinions on articles as well as presentation of entire magazine, so that we can improve to suit all the needs.

We are not only magazine, but a mirror to our profession, so we need your help to make the reflection - a crystal clear reflection, as it will be part of identity of all of us.

President's Message

Dear Colleagues,

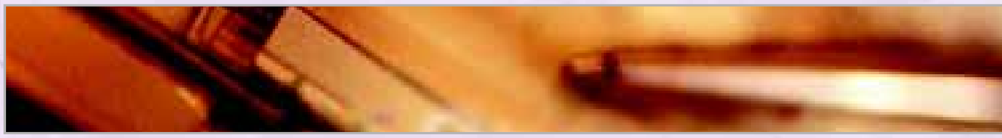
It is a moment of immense pleasure for me to congratulate all the members of ICAN for being awarded with the full membership of International Federation of Accountants (IFAC). Believe me this is the result of our passion and thirst for perfection and no doubt we also cannot forget the great efforts of our predecessors, because of whose wise decisions and endeavours, today we have been granted the full membership of the IFAC in my tenure. This magazine being the ambassador of ICAN, I take this opportunity to thank all the members for bestowing faith and utmost trust in me for electing me as the 12th President of the Institute, and I am confident that I will abide to the highest standards of ethics and would lead ICAN to the way of prosperity and dynamism in days to come also.

The Institute has gain immense popularity and recognition within the country as well as in the International arena with the hard works, vision, tireless efforts and ample leadership of the Past Presidents and all the Council Members. We experienced that ICAN is not new to the changing international scenarios even during our visit for IFAC membership.

We are really positive about our progresss regarding international recognition with this membership because this would not only highlight the strength of ICAN but also enchants the capabilities of ICAN members. Being IFAC full member, we now have to be prepared for almost all standards and norms being issued by IFAC for accounting and other related topics which will be implemented in Nepal also very soon. As we have already announced IFRSs will be adopted in Nepal, as it is, from the year 2011. So being an IFAC member, it is our duty to study and understand the same. I request all our members to be more updated and familiar with international requirements, so that we can prove that we are equally capable to comply with the requirements of IFAC.

As I mentioned before also, my strategies for members will focus on quality assurance and CPE along with compliance of code of ethics. Since ICAN has already achieved full membership of IFAC, we have now international platform to express and learn. For students, Board of Studies has been established and coaching centres will be provided accreditation for assurance of

President's Message



quality education and also numbers of career counselling and crash courses will be held for benefit of students. All the contemporary issues for the development and expansion of ICAN will be addressed one by one without any compromise.

I personally believe in sharing values and work towards professional attainments. Our personal views and interest shall not overcome Institute's interest. This is the one prime thing that I would wish to convey to the council members, the members and the students. I will remain open to receive ideas/comments for the benefit of ICAN and attainment of Institute's Objectives as envisaged in Nepal Chartered Accountants Act, 1997. My efforts will be concentrated towards sound and amicably acceptable solution to all issues. I am confident to discharge my responsibilities as the President of ICAN successfully with the support of all the council members, past presidents, government agencies, regulators and staffs of ICAN.

I humbly appeal all the members and other interested friends for their suggestions in pursuation of new and/or change in policy matters as well as day to day operation of the Institute. I along with the staff members of the Institute would like to assure you for our best possible attention.

Kind Regards,

Tanka Prasad Paneru, FCA

Government Budget for the Current Year and the Recurrent Expenditure -An Analysis

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An analysis of the volume of resource and expenditure as well as their inherent nature reveals that the government budget for the current fiscal year (FY) 2008/09 would be more effective in financing the recurrent activities than financing the capital expenditure. Regarding the financing of the development activities, much will depend on the success achieved in mobilizing the foreign aid (grants and loans) as liberally envisaged in the budget. If the foreign aid flow is constrained, as it has at times been found to be extremely volatile and uncertain, the development expenditure will not be financed as desired. If the development activities slow down while the recurrent expenditure continues to expand, the economy could suffer from a syndrome called the stagflation, with the economic activities suffering stagnation and the inflationary pressure rising, thereby adversely affecting the objective of economic growth with stability. During FY 2007/08, the revenue growth was 22.6 percent and revenue as percent of gross domestic product (GDP) reached 13.1 percent, the highest ratio so far in Nepal. The budget for FY 2008/09 has projected a revenue growth of 31.8 percent to reach Rs. 141.7 billion. This revenue growth, if materialized, will become a record growth during the last four and a half decades since FY 1962/63 when the revenue had risen by 39.4 percent. On an assumption that the nominal GDP in FY 2008/09 will grow by 15 percent, the highest since FY 1993/94, to Rs. 943.9 billion, the revenue as percent of GDP is estimated to reach 15 percent, a significant increment of 1.9 percentage points over the ratio in FY 2007/08 (13.1 percent). The revenue growth target in the current year's budget, therefore, looks quite determined.

Along with a large revenue target, the current budget also envisages a substantial rise in the recurrent expenditure. Amount-wise, the revenue in FY 2008/09 will rise by Rs. 34.2 billion in comparison to its rise of Rs. 19.8 billion in FY 2007/08. The recurrent expenditure in FY 2008/09 will amount to Rs. 128.5 billion, with a rise of 40.6 percent (Rs. 37.1 billion) in comparison to the rise of 18.5 percent (Rs. 14.3 billion) in FY 2007/08. The revenue growth of Rs. 19.8 billion and the recurrent expenditure growth of Rs. 14.3 billion in FY 2007/08 showed that the revenue growth exceeded the recurrent expenditure growth by Rs. 5.5 billion, the amount available for the principal repayment The projected increments of revenue by Rs. 34.2 billion and recurrent expenditure by Rs. 37.1 billion in FY 2008/09 shows that even the optimistic level of projected revenue will remain Rs. 2.9 billion short in meeting the rise in recurrent expenditure. As a result, the revenue surplus required for meeting the principal repayment will reduce to Rs. 13.2 billion in FY 2008/09 from a surplus of Rs 16.1 billion in FY 2007/08. Consequently, the projected revenue for FY 2008/09 will remain Rs. 3 billion short of meeting both the recurrent expenditure and the principal repayment. Such a short amount in FY 2007/08 was nominal (Rs. 0.3 billion only). As domestic loan will have to be used for financing such deficit, the resources required for the capital expenditure will be accordingly reduced.

Capital expenditure, which rose by 39.7 percent to 6.8 percent of GDP in FY 2007/08, is projected to rise by 64.5 percent to 9.7 percent of GDP in FY 2008/09. Likewise, recurrent expenditure, which rose by 18.5 percent to 11.1 percent of GDP in FY 2007/08, is projected to rise by 40.6 percent to 13.6 percent of GDP in FY 2008/09. So, capital expenditure as percent of GDP in FY 2008/09 will rise by 2.9 percentage points over the level in FY 2007/08 while similar growth in the recurrent expenditure will be 2.5 percentage points. Amount-wise, capital expenditure in FY 2008/09 will rise by Rs. 35.8 billion compared to the growth of Rs. 15.8 billion in FY 2007/08. Similarly, recurrent expenditure in FY 2008/09 will rise by Rs. 37.1 billion as against the increase of Rs. 11.1 billion in FY 2007/08. So, in FY 2007/08, capital expenditure growth exceeded the recurrent expenditure growth by Rs. 4.7 billion. However, in FY 2008/09, recurrent expenditure growth will exceed the capital expenditure growth by Rs. 1.3 billion. This means that both the capital expenditure and the recurrent expenditure will rise in FY 2008/09 but the rise in the recurrent expenditure will be larger in contrast to the situation in FY 2007'08 when both these expenditures rose but the rise in the development expenditure remained larger.

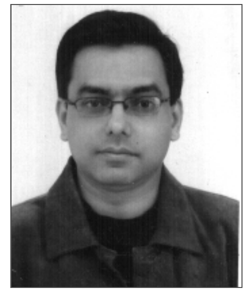
Overall deficit (revenue minus total expenditure) in FY 2008/09 will rise by 69.1 percent in comparison to the rise of 21.5 percent in FY 2007/08. As percent of GDP, this deficit will be 10 percent in FY 2008/09 compared to its level of 6.8 percent in FY 2007/08. Foreign aid will finance 72.1 percent of the capital expenditure in FY 2008/09 in comparison to this ratio of 61.4 percent on the basis of the revised estimates for FY 2007/08. During FY 2008/09, foreign grants will rise by 107.1 percent and the grants as percent of GDP will reach 5 percent, the highest such ratio in Nepal's budgetary history, Earlier, such ratio had remained highest (3.4 percent) in FY 1979/80. Despite such large projection of the grants in FY 2008/09, the fiscal deficit will rise by 42.9 percent to 5 percent of GDP. The fiscal deficit had witnessed a growth of 9.7 percent to 4 percent of GDP in FY 2007/08. The domestic loan at 2.65 percent of GDP in FY 2008/09 will be higher than the estimate of the Three-Year Interim Plan, which has been computed at an average of 2.25 percent of the GDP. The above discussion shows that the recurrent expenditure has been substantially raised (Rs. 37.1 billion) while the financing arrangements for the capital expenditure, which will also rise yet little below the rise in the recurrent expenditure (Rs. 35.8 billion), will remain shaky.

It is true that expansion in the capital expenditure is positively associated with the rise in investment, employment, productivity, economic growth, and competitive strength of the economy. A hefty expansion in the recurrent expenditure would trigger rise in consumption, reduction in saving, increase in imports, decrease in exports, rise in trade deficit, and the generation of inflationary pressures. The recurrent expenditure is essentially of a fixed nature and must be financed before the available resources could be available for the capital expenditure. Besides, the recurrent expenditure has the tendency of increasing over the years as the efforts at controlling or reducing it are found to be hardly effective. Even if the projected revenue for FY 2008/09 is wholly realized, it will not be sufficient to fully meet the recurrent expenditure and principal repayment, requiring some portion of the domestic loans also utilized for this purpose. It may also be noticed that the foreign component for financing the capital expenditure has risen sharply during the year. Given that only 76 percent of the projected foreign aid could be actually mobilized during FY 2007/08, this scenario is not likely to change much suddenly in the current year. In such an eventuality, financing of the projected capital expenditure will become a problem. Likewise, unsustainable financing arrangements could invite and strengthen macroeconomic risks.

Increased expenditure on unproductive purposes and the costs relating to unsustainable financing arrangements would be associated with risks of large fiscal and trade deficits, vulnerability in external trade structure, distortions in fiscal structure, weaknesses in fiscal discipline and financial accountability, addition of cost burdens to the economy, discouragement of domestic and foreign investments, reduction in the productivity of the economy and the employment promotion prospects, uncertainty in the economic environment, reduction in the economic growth prospects, and letting up the price spiral. In such an environment, the objective of improving the health, soundness and efficiency of the economy will be negatively affected and the process of building the foundations for fostering a high-growth environment on a sustained basis will be seriously undermined.

So, the government needs to focus on promoting saving, investment, economic growth and macroeconomic stability by not compromising the fundamentals governing sound economic management for which fiscal management should remain credible and supportive to macroeconomic prudence. The tendency to increase the recurrent expenditure and implicitly prioritizing it because of the nature of this expenditure and the sources of financing it while relying on less certain sources for financing investment and productive activities could be counter-productive in the way of increasing economic growth, reducing the possible occurrence of the macroeconomic shocks, and strengthening the economy also in the context of evolving global perspective. Therefore, fiscal pragmatism and prudence become the hallmarks for improving the health of the economy and steering it along a high-growth trajectory. In this pursuit, a very responsible and cautious approach in fiscal management has been most sought for at the moment. Controlling unproductive expenditure, mobilizing the domestic and foreign resources as per the budget estimates, and maintaining the fiscal deficit in accordance with the Plan target comprise the important elements of the strategy for building a productive and strong economy through creation and sustenance of an enabling economic environment that supports economic growth, development and stability on a sustained basis.

What Went Wrong "Energy Planning or Power Struggle"?



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Energy is critical in developing countries not only for economic growth but also for social development and human welfare. Energy is one of the key determinants for economic growth. The energy supply and demand pattern has a great impact on the possibility of attaining a sustainable energy scenario. Nepal was expected to speed the pace of development of energy sector during late nineties but it was heavily affected by poor planning and lack of adequate rules and regulation. In the modern era of decentralized planning energy is declared to be the backbone of the economy but priority in terms of allocation of resources was not put this sector.

Nepal is bestowed with a lot of rivers which, combined with the geographic and climate conditions, provide an abundant water energy source. From a hydro-engineering point of view, the immense potential of hydropower in Nepal is yet to be harnessed. Hydropower is a clean and renewable energy, as well as a superior energy source for power generation. Hydropower generation is a kind of potential energy generation by using endless water flow of rivers and differences in water heads, and is a physical process of transforming primary energy to electricity.

Hydropower is a clean energy without consuming a single cubic meter of water, causing a single cubic meter of pollution and producing a single cubic meter of hazard gas and a single kilogram of solid waste in its power generation process. Furthermore, water resource is a permanent and renewable energy source so long as water keeps circulating on the earth and rivers are not dried up.

Quantity of electricity obtained from hydropower generation will never lead to any decrease in the total quantity of water resources. Therefore all countries in the world give high priority to the development of water energy. Statistics show that there are 24 countries that depend upon hydropower to deliver 90% of their total power supply, such as Brazil and Norway, and 55 countries with hydropower making up more than 50% of the total power supply, such as Canada, Switzerland and Sweden.

However the development of hydropower will inevitably change original conditions of rivers. More importantly, part of land will be submerged by reservoirs and local residents have to be relocated. The land area will be substituted by water area. The change of flow regime will have effect on fishes' living environment and sediment accumulated in reservoirs may bring about some unfavorable effects. For this reason, a scientific and complete assessment system must be established in the process of hydropower development, so as to make right decisions and take proper countermeasures.

Over 60 percent of Nepalese population does not have access to electricity and providing electricity for 24 hours in urban and rural areas is a major challenge. For this the Nepalese government has envisioned several paths for its energy requirements, from Hydro to Solar energy. Traditional energy sources, such as fuel-wood and agricultural residues sources occupy a major share in total energy consumption in most developing countries and are primarily used to meet the household energy needs in rural areas. In remote areas where transmission of grid power is totally uneconomical, off grid electrification can be undertaken through renewable energy systems such as micro hydro schemes besides solar photovoltaic. In rural areas energy for cooking, lighting, water pumping, agro and rural industry and other productive activities can be effectively provided through locally available renewable energy sources. Appropriate electricity requirements can also be met by hybrid systems integrating two or more sources, in conjunction with storage.

Nepal is going through it's first-ever monsoon power cuts. This winter load-shedding will go up to 56 hours a week. The generation shortfall will be 35 per cent below demand this December. Nepal will suffer an average of to 6-8 hours of power cuts a day till 2013 because no new major power generation schemes are coming on line

It is well recognized that hydro power constitutes the cheapest source of power generation even after the recent enormous increases in the cost of the equipment and the implementation of civil works. The economic advantages of hydro power have been enhanced in the recent years with the steep increases in the energy costs from fossil fuel. While the importance of hydro electric development for economic and reliable supply of power is recognized, Nepalese growth in power availability has not been able to keep pace with the growth.

On the other hand, Power projects take long gestation period from preparation to implementation of the project which is actually hampering the capacity addition. The other weaknesses are duration of preparing a project report, taking an investment decision, acquiring land, getting environment clearance, placing orders for execution of the project. However, the major problem is the opposition to hydro power projects all over Nepal.

There is no denial that electrical energy being the most preferred form of energy is needed by every country for improving the quality of life of its people. There is also no doubt that Nepal should utilize the hydro power resources to the last drop of water. There has been a lot of hue and cry against large hydel projects. Self appointed upholders of human rights and environment protection have made a lot of noise every time there is talk of large hydel projects. The main negative impacts of hydro power include displacement of local populations and degradation of ecosystems, adverse down-stream effects on rivers and threatening livelihoods of large numbers of people. However, hydropower has been the focus of heated debate for the last two decades in Nepal. Whether hydropower is green and renewable or not is gaining more heated discourse than its centralized character of production, distribution and management.

Nepalese per capita consumption of electricity continues to be extremely low. Nepalese GDP per capita is around $240 and inequitable distribution of income and poverty are still prevalent what is needed is pro-poor economic policies that will attain high growth rates and more equitable distribution of income and this is the only way to make poverty reduction strategies to work and improve the welfare of majority of Nepalese.

Urbanization would likely accelerate with improved transportation facilities, allowing people in rural areas to access city development as well as health care. A number of schools will be built and general education will be improved respectively. New technologies and consumer products will have entered the area, making life easier for those who can afford them. Therefore, the focus should be to improve the investment climate for local as well as foreign investors to investment in energy sector by providing subsidies and tax breaks.

There has been difference between energy generation targets and achievements, which has seen many ups and downs. The controversy concerning the large versus small, fear of earthquakes, silting of reservoirs, submergence of forests, extinction of "rare" flora and fauna, submergence of ancient cultural heritage, the prospect of outbreak of diseases and dislocation of population are often cited as reasons for slow development of this sector. While the pro-hydro lobby is working towards meeting Nepal's full potential, the anti-hydro-power groups are targeting those projects which they believe are violating environmental and human rights norms. Despite growing number of oppositions to hydro-power, the Nepalese government is very optimistic to achieve its potential.

Policies to increase energy generation and industrialization were faded away with non-economic issues. Private investment in power projects will not flow unless the Government changes decision-making structure, sensitize governments to handle cases of private investment, both Nepalese and Foreign and sorted out pricing contractual issues. The power purchase agreement with price differentials for peaking power can also attract local entrepreneurs to venture into peaking power hydropower projects. In many countries, surplus electricity generation capacity is maintained to attract industrial investments and to avoid supply risks. Therefore, the longer-term policy should be to install both peaking and base power capacity.

Though Private Sector's involvement has started but has been affected by poor infrastructure, financial constraints and lack of effective regulatory frameworks which undermines the development of energy sector. Availability of adequate financial resources is the foremost requirement for development of hydro resources. Way and means have to be found out to raise additional resources for hydro development.

It is necessary that hydro power projects which involve large finance, large storages, international river systems and multi-purpose projects should be undertaken in the Public Private Partnership (PPP). The private sectors should preferably be entrusted with the investigation, detailed planning, designs and execution of small and medium hydro electric projects. Government should facilitate Independent Power Producers (IPP) by opening effective one window policy to obtain all requisite clearances, acquiring the land and building infrastructure, as a part of their contribution to the development of hydel resources. This would enable the private investors to take up the construction of the project without much loss of time. The cost incurred to provide such facilities can be recovered from the IPP.

Driven by rising populations, expanding economies, energy intensive industries, urbanization and a quest for modernization and improved quality of life; energy use in the developing world has doubled in the last two decades and further expected to double again in an even shorter time span of the next fifteen years. There is a wide gap between demand and supply of power in the country. Serious efforts are required to finance projects to meet this wide gap.

The resources available are inadequate to meet most of the infrastructure needs. The infrastructure financing needs of our county alone are going to run into the trillions of Rupees over the next few years-- when Nepal is downgraded by most of the international rating agencies due to political risk. At the same time, present banking system and public institutions alone simply will not be able to pick up the tab. To face the financial resource crunch, local financial institutions should be encouraged to finance hydro projects right from the stage of investigations together with earmarking most of the bilateral and multilateral funding for hydro projects.

Finally, Foreign Direct investment should be allowed to complement domestic savings needed for infrastructure development. If these prospects are realized, the challenging dream of "Empowering Nepal" could become a "shining reality"!

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Latest Amendments by Regulatory Bodies

Extracts of Monetary policy:

Nepal Rastra Bank (NRB), has issued cautious and tight monetary policy reversing its long running flexible policy, designed to achieve price stability without hurting growth prospects.

The monetary policy for the Fiscal Year 2008/09 acknowledged that rising prices was the biggest monetary challenge, and it has vowed to curtail it by taming monetary expansion. In this regard, the central bank has raised the bank rate by 25 basis points to 6.5 percent and also increased the Cash Reserved Ratio (CRR) on local currency deposits to 5.5 percent from the existing 5 percent. The change in the CRR rate is expected to mop up Rs. 1.92 billion worth of liquidity, stated the policy. The policy has also shown the concern about unnaturally rising housing and share prices, and warned that they might trigger a serious financial crisis if their prices start dropping.

The new policy predicts that average annual inflation will remain at 7.5 percent in the current fiscal year to achieve a surplus balance of payment worth Rs. 12 billion in order to ensure adequate foreign exchange reserves to pay for 6 months imports of merchandise and services.

Likewise, the policy has reduced the export refinance rate to 2 percent from 2.5 percent in order to promote competitiveness of export-oriented industries. Commercial banks will not be allowed to charge interest at a rate higher than 5 percent on such loans.

The Monetary Policy has also vowed to continue financial sector reforms of two troubled banks, Nepal Bank Limited and Rastriya Banijya Bank.
(Refer website: www.nrb.org.np for full text)

Updates of Security Market:

Nepal Stock Exchange Limited has started to calculate NEPSE Float Index and Sensitive Float Index based on final transaction of August 24, 2008 as base market price. In that index, holdings by promoters, staffs and strategic shares are excluded and only holdings by public are included for calculation according to subsequent final market rate.

Likewise, market halt procedures are also changed since August 25, 2008. From this procedure implementation the market is being halted for 15 minutes, if NEPSE index changes by 3 percent, then it will be halted for 30 minute, if index changes by 4 percent and remaining transaction time of that day will be halted, if index again changes by 5 percent. This contrasts with the previous system of postponing the transaction while NEPSE index point would change by 15, 20 and 25 minute respectively.

Extracts of Important Circulars Issued By Nepal Rastra Bank:

1. Promoter share holders are permitted to invest in right share of the institution in advance provided the stipulated conditions regarding general meeting, uses of fund and proper accounting has been followed.

2. The Conditions to be fulfilled by the banks/financial institutions for merger and acquisition or up gradation of the institution has been issued by NRB in addition to the existing requirements. It focuses on requirement of duly filled form, capital adequacy requirements, financial performance of last five years, non performing assets and other requirements as mentioned.

3. All types of Shares, other than initial public offer, issued to foreign or indigenous promoter, promoter group and private placement are considered to be the promoter/promoter group shares for the purpose of regulatory application of Nepal Rastra Bank.

4. NRB has also implemented Basel II by making it as friendly as possible in context of Nepal. Due to this the provisions regarding capital adequacy and risk weighted assets has been amended making the core capital ratio rise to 6% and total capital ratio to be maintained at minimum of 10%. The risk has been assigned from 0% to 150% and reporting requirements has been made compulsory on monthly basis as compared to previous requirement of quarterly reporting.

(For Details on the above mentioned changes please visit the website: www.nrb.org.np)

Risk Based Internal Audit in Banks

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Introduction

With the opening up of the Nepalese economy in line with the international scenario of globalization and liberalization, the stability of the financial system has become paramount. With the process of banking sector reforms & restructuring taking-off in Nepal, the financial sector has undergone a transformation. Meanwhile, level of competition has gone up with the new entrants in the market and may touch new high after 2010 AD.

Effective risk management and internal control systems has become crucial to the conduct of banking business. This is also significant in view of the introduction of the New Capital Accord (based on BASEL-II) under which capital maintained by a bank will be more closely aligned to the risk undertaken. With the introduction of new capital accord, the banks are required to maintain capital in line with the various risks they expose to, which were not taken into consideration hence before.

Internal Audit System

1. A sound internal audit function plays an important role in contributing to the effectiveness of the internal control system. Historically, the internal audit system in banks has been concentrating on transaction testing, testing of accuracy and reliability of accounting records and financial reports, integrity, reliability and timeliness of control reports, and adherence to legal and regulatory requirements. However, in the changing scenario such testing by itself would not be sufficient. There is a need for widening as well as redirecting the scope of internal audit to evaluate the adequacy and effectiveness of risk management procedures and internal control systems in the banks.

2. To achieve these objectives, banks will have to gradually move towards risk-based internal audit which will include, in addition to selective transaction testing, an evaluation of the risk management systems and control procedures prevailing in various areas of a bank's operations. The implementation of risk-based internal audit would mean that greater emphasis is placed on the internal auditor's role in mitigating risks. While focusing on effective risk management and controls, in addition to appropriate transaction testing, the risk-based internal audit would not only offer suggestions for mitigating current risk but also anticipate areas of potential risks and play an important role in protecting the bank from various risks.

3. The functions of Risk Management Committee and the role of risk-based internal audit are separate. The risk-based internal audit undertakes an independent risk assessment solely for the purpose of formulating the risk-based audit plan keeping in view the inherent business risks of an activity/location and the effectiveness of the control systems for monitoring the inherent risk of the business activity. While formulating the audit plan, every activity/location of the bank, including the risk management function, should be subjected to risk assessment by the risk-based internal audit.

Policy for Risk-Based Internal Audit

Under risk-based internal audit, the focus will shift from the present systems of full-scale transaction testing to risk identification, prioritization of audit areas and allocation of audit resources in accordance with the risk assessment. Banks will, therefore, need to develop a well-defined policy, duly approved by the Board of Directors/Audit Committee, for undertaking risk-based internal audit. The policy should include the risk assessment methodology for identifying the risk areas based on which the audit plan would be formulated. The policy also lays down the maximum time period beyond which even the low risk business activities/locations should not remain un-audited.

Preparedness for Risk-Based Internal Audit

The Basel accords have stated that banking business is essentially management of risks. The capital required to operate this business must be linked to and computed based on the level of risks undertaken by each bank. The supervisory may intend to have supervision of banks on a Risk Based approach. This essentially means that a bank with a high-risk profile (therefore of high risk to the financial system) will attract more supervisory attention than a bank with a low risk profile.

In order to implement the Risk-Based Internal Audit (RBIA) the banks will need preparations on the following areas;

1. Setting up of Risk Management Committee

All banks have to put in place Risk Management Committee and Board approved policies for effectively managing Credit, Market, Operational and other risks.

Under a risk-focused on-site examination approach, the degree of transaction testing would be reduced when internal risk management processes are determined to be adequate or risks are considered minimal. When, however, risk management processes or internal controls are considered inappropriate, additional transaction testing sufficient to fully assess the degree of risk exposure would be performed. It may be necessary for banks to carry out a fresh review of their current status of risk management architecture by an expert team and initiate measure to bridge the gaps.

2. Adoption of Risk Focused Internal Audit

Internal Audit is an independent activity designed to improve the bank's operations. The success of internal audit function depends largely on the extent of reliance the bank management would place in guiding the bank's operations. The Internal Audit Department will therefore have to be independent from the internal control process and be given an appropriate standing within the bank to carry out its assignments with objectivity and impartiality.

Though transaction testing would remain a reliable and essential examination aspect of internal auditing, in the changing scenario such testing by itself would not be sufficient. The internal audit would have to capture in a larger way the application and effectiveness of risk management procedures and risk assessment methodology and critical evaluation of the adequacy and effectiveness of the internal control systems. The internal audit department should pay special attention to auditing the banking activity in all the places through which the activity is undertaken. The precise scope of work of internal auditing must be determined by each bank but as a minimum, must review and report upon the control environment as a whole, the process by which risks are identified, analyzed and managed, the line of controls over key processes, the reliability and integrity of corporate management function, safeguarding of assets and compliance with rules and regulations.

To achieve these objectives, banks may move towards risk focused auditing, in addition to the system of selective transaction based auditing. The implementation of risk based auditing would mean that greater emphasis is placed on the internal auditor's role of mitigating risks. By focusing on effective risk management the internal auditor would not only offer remedies for current trouble areas but also anticipate problems and play an important role in protecting the bank from risk hazards. The risk based auditing would not only cover assessment of risks at the branch level but would also cover assessment of risk at the corporate level and the overall process in place to identify, measure, monitor and control the risks. In order to focus attention on areas of greater risk to the bank, a location-wise and activity-wise risk assessment should be performed in advance of on-site risk based auditing. This would allow identification of high risk areas which would enable prioritizing the activities and locations for risk based audit. If initial inquiries into the risk management system raise material doubt as to the system's effectiveness, no significant reliance should be placed on the system and a more extensive series of test need to be undertaken to ensure that the bank's exposure to risk from a given function or activity is accurately captured and monitored. The high-risk areas need to be looked into more frequently than the low risk areas.

3. Strengthening of IT & MIS

Correct assessment of risks can be undertaken only if adequate reliable data is available on time and at regular intervals. Off-site data analysis & risk assessment is an integral part of the RBIA process. New capital accord has required banks to provide information in addition to the data now being furnished. The accuracy, completeness and the timeliness of data are very important and the banks may need upgrading their management information systems. The Data Manager's role should be created in order to ensure that the data has integrity, is stored in correct place, comprehensive and timely. The Data Managers should be made responsible for specific databases. Banks should review the present status of the IT/MIS systems and initiate necessary measures to ensure that systems are streamlined to address data need for RBIA.

4. Skill Development

A major transitional task towards completion of risk management set up and introduction of risk-based audit will be the reorientation of the staff to meet the required objectives. The potential primary obstacles will be the skill formation of the staff and placement in appropriate positions. Banks may have to create a dedicated risk management team and reorient the Internal Audit Department to undertake risk-based audit.

Risk Assessment

1. As indicated in above paragraph, the risk-based internal audit undertakes risk assessment solely for the purpose of formulating the risk-based audit plan. The risk assessment would, as an independent activity, cover risk at various levels (corporate and branch; the portfolio and individual transactions, etc.) as also the processes in place. The internal audit department of the banks will need to devise the risk assessment methodology keeping in view the size and complexity of the business undertaken by the bank.

Risk Matrix

Inherent business risks			
High	A High Risk	B Very High risk	C Extremely High risk
Medium	D Medium risk	E High risk	F Very High risk
Low	G Low risk	H Medium risk	I High risk
	Low	Medium	High

Control Risks

2. The risk assessment process should, inter alia, include the following:-
   - Identification of inherent business risks in various activities undertaken by the bank.
   - Evaluation of the effectiveness of the control systems for monitoring the inherent risks of the business activities ("Control risk").
   - Drawing up a risk-matrix for taking into account both the factors viz., inherent business risk and control risks. A format of risk-matrix is shown below.

The basis for determination of the level (high, medium, low) and trend (increasing, stable, decreasing) of inherent business risks and control risks should be clearly spelt out. The risk assessment may make use of both quantitative and qualitative approaches. While the quantum of credit, market, and operational risks could largely be determined by quantitative assessment, the qualitative approach may be adopted for assessing the quality of controls in various business activities. In order to focus attention on areas of grater risk to the bank, an activity-wise and location-wise identification of risk should be undertaken.

The risk assessment methodology should include, inter alia, the following parameters:

- Previous internal audit reports and compliance
- Proposed changes in business lines or change in focus
- Significant change in management / key personnel
- Results of latest regulatory examination report
- Reports of external auditors
- Industry trends and other environmental factors
- Time lapsed since last audit
- Volume of business and complexity of activities
- Substantial performance variations from the budget

3. For the risk assessment to be accurate, it will be necessary to have in place proper MIS and data integrity. The internal audit function should be kept informed of all developments such as introduction of new products, changes in reporting lines, changes in accounting practices/policies etc. The risk assessment is usually undertaken on a yearly basis. The assessment should also be periodically updated to take into account changes in business environment, activities and work process, etc.

Audit Plan

The annual audit plan, approved by the Board/Audit Committee, should include the schedule and the rationale for audit work planned. It should also include all risk areas and their prioritization based on the level and direction of risk. Illustratively, the areas or activities identified as high, very high or extremely high risk (based on risk matrix) may be audited at shorter intervals as compared to medium or low risk areas, which may be audited at longer intervals.

Scope

1. The primary focus of risk-based internal audit will be to provide reasonable assurance to the Board and top management about the adequacy and effectiveness of the risk management and control framework in the bank's operations. While examining the effectiveness of control framework, the risk-based internal audit should report on proper recording and reporting of major exceptions and excesses. Transaction testing would continue to remain and essential aspect of risk-based internal audit. The extent of transaction testing will have to be determined based on the risk assessment. Illustratively, the bank may undertake 100 per cent transaction testing if an area falls in cell "C-Extremely High Risk" of the risk matrix. The bank may also consider 100 per cent transaction testing if an area falls in cell "B- Very High Risk" or "F- Very High Risk", and the risk are

Risk Audit Matrix

Magnitude of risk (M) ↑ / Frequency of Risk (F) →	Low	Medium	High
High	High M Low F	High M Medium F	High M High F
Medium	Medium M Low F	Medium M Medium F	Medium M High F
Low	Low M Low F	Low M Medium F	Low M High F

showing an increasing trend. The banks may also consider transaction testing an element of surprise in respect of low risk areas which are generally audited at relatively longer intervals.

The bank may prepare a Risk Audit Matrix as shown below:

Generally, the Audit Plan should prioritize audit work to give greater attention to the areas of:

- High Magnitude and high frequency
- High Magnitude and medium frequency
- Medium Magnitude and high frequency
- High Magnitude and low frequency
- Medium Magnitude and medium frequency.

2. The precise scope of risk-based internal audit is to be determined by each bank for low, medium, high, very high and extremely high-risk areas. The scope generally includes the following-
   - process by which risks are identified and managed in various areas;
   - the control environment in various areas;
   - gaps, if any, in control mechanism which might lead to frauds, identification of fraud prone areas;
   - data integrity, reliability and integrity of MIS;
   - internal, regulatory and statutory compliance;
   - budgetary control and performance reviews;
   - transaction testing/verification of assets to the extent considered necessary
   - monitoring compliance with the risk-based internal audit report
   - variation, if any, in the assessment of risks under the audit plan vis-a-vis- the risk-based internal audit.

Communication

The communication channels between the risk-based internal audit staff and management should encourage reporting of negative and sensitive findings. All serious deficiencies should be reported to the appropriate level of management as soon as they are identified. Significant issues posing a threat to the bank's business should be promptly brought to the notice of the Board of Directors, Audit Committee or top management, as appropriate.

Performance evaluation

The Internal Audit Department should conduct periodical reviews (say half yearly or annually) of the risk-based internal audit undertaken by it vis-a-vis the approved audit plan. The performance review also includes an evaluation of the effectiveness of risk-based internal audit in mitigating identified risk.

Audit resources

The Internal Audit Department should be provided with appropriate resources and staff to achieve its objectives under the risk-based internal audit system. The staff possessing the requisite skills should be assigned the job of undertaking risk-based internal audit. They should also be trained periodically to enable them to understand the bank's business activities, operating procedures, risk management and control systems, MIS, etc.

Outsourcing the Internal Audit

Even though internal audit activity is outsourced, responsibility of the Board of Directors/Audit Committee and top management for ensuring that the risk-based internal audit continues to function effectively will remain continued.

Conclusion

Risk-based internal audit is expected to be an aid to the ongoing risk management in banks by providing necessary checks and balances in the system. Risk based internal audit will be new exercise for most of the banks so, a gradual but effective approach would be necessary for its implementation. Initially the risk-based internal audit may be used as management/audit tool in addition to the existing internal audit. Once the risk-based internal audit stabilizes and the staff attains proficiency, it may replace the existing internal audit practice by the Risk Based Internal Audit system.

The Quality Control Standards:

Rationale and Issues Related to Implementation

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Background

I had just come out of a training organized jointly by the Institute of Chartered Accountants of Nepal (ICAN) and Peer Review Board (PRB) as a resource person. Few participants came closer and asked me a number of questions, about the technical sessions I took, especially their curiosity about wide gap between what I said should be and what is the real situation. I have summarized their questions into two parts, as given below, which led me to write this article and answers their questions for the benefit of larger portion of our membership.

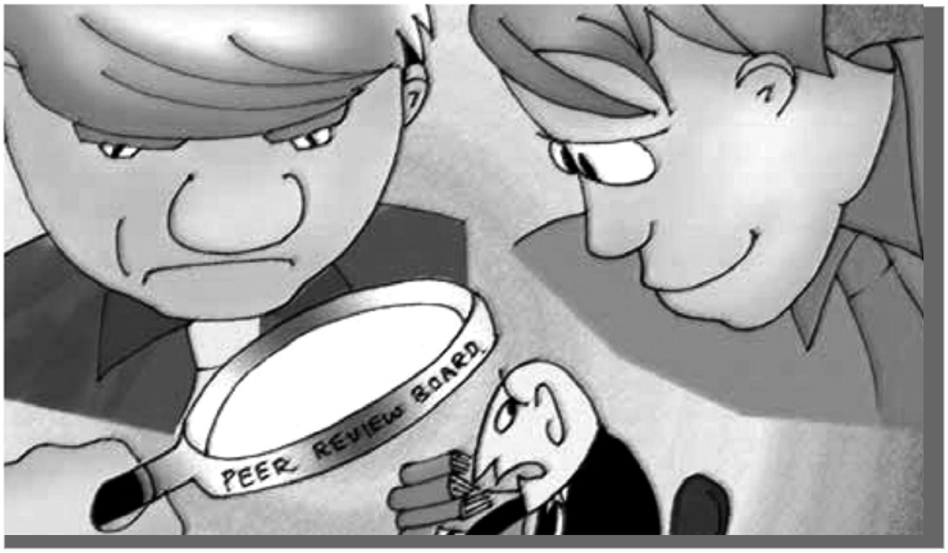
The auditing profession worldwide commands respect and demand for its services primarily on account of the faith of the public, at large on its work. Unlike other profession and business, measure of success by reference to increase in earnings or clientele does not hold true in the context of a practicing accountant or audit firm. The success or credibility of an audit firm/professional accountant can only be rightly measured in terms of the quality of services it is able to provide. Irrespective of the size and nature of services it is providing, an audit firm or professional accountant should always ensure that its services are of greatest quality and adheres to various legal requirements and pronouncements of the Institute of Chartered Accountants of Nepal, which is a sole authority responsible for regulating the accounting profession in Nepal.

Q1. What's rationale behind Quality Control Standards?

In my opinion, 4th Council of the Institute (2006-9) has taken two bold steps because of which the accounting profession has taken a giant leap forward by 1) issuing Statement on Peer Review (by 104th Meeting of the Council on 20 May 2007), and 2) announcing mandatory application of Nepal Standards on Quality Control 1: Quality Control for Firm's that Perform Audits and Reviews of Historical Financial Information and Other Assurance and Related Service Engagement from 1 Shrawan 2065 (corresponding to 16 July 2008) (by 113th Meeting of the Council on 24 January 2008).

The Institute has reiterated the necessity for its members to provide high quality services through the Code of Ethics - 2060 (2004) and making mandatory application of various accounting and auditing standards developed by respective Boards. The preamble of Act 22 of 1997, the Nepal Chartered Accountants Act has envisaged that establishment of the Institute is in order to enhance social recognition and faith in accounting profession by raising public awareness towards the importance of the accounting profession, towards economic and social responsibility of the accountants and towards economic development of the country through the development of awareness among the professionals about their responsibility towards the importance of accountancy in order to develop, protect and promote the accounting profession.
April 2002.

With a view to regulating the professional accountants and in terms of the powers vested, the Council of the Institute has thus authorized to issue Statement on Peer Review. This Statement serves as a mechanism intended to further enhance the quality of professional work of practising accountants over a period of time, thereby ensuring that the profession of accountants/auditors continues to serve the society in the manner envisaged.



Peer Review is directed towards maintenance as well as enhancement of quality of attestation services and to provide guidance to members to improve their performance and adhere to various statutory and other regulatory requirements.

On the other hand, Nepal Standards on Quality Control (NSQC) 1 is an all pervasive Standard in respect of quality control for Firm's that Perform Audits and Reviews of Historical Financial Information and Other Assurance and Related Service Engagement. Besides, this standard is essential since it is sine qua non to be able to claim complete adoption of International Standards by 2011.

The members of the Institute are required to (a) comply with the Technical Standards made mandatory for application by the Institute and (b) have in place proper systems (including documentation systems) for maintaining the quality of the attestation services work they perform. NSQC guides members to establish such proper systems in respective of:

a) Leadership responsibilities for quality control within the firm, including sole proprietary firm
b) Ethical Requirements
c) Acceptance and Continuation of Client Relationships and Specific Engagements
d) Human Resources
e) Engagement Performance, and
f) Engagement Quality Control Review & its Documentation

Thus, Quality Control and Peer Review Systems, as self-regulatory mechanism, allow the accountancy profession to reassure society and all stakeholders at large that the profession is conscious of its responsibilities and is striving to do its best in ensuring that all practising members observe the highest standards.

Q2: Whether provisions of Quality Control Standard can be implemented?

Following lines explain the criticality of the implementation of both Quality Control Standards and Peer Review System:

1. 43 paragraphs out of 97 paragraphs of NSQC 1 are differed to be fully implementable from 2010 July
2. Peer Review System has been made mandatory for all practice units from 2011 January.

Before I critically analyze the implementation issues, I must emphasize that a practicing accountant/firm must seek to ensure implementation of Technical Standards both in letter and spirit. This can be achieved if it takes following minimum actions to implement general controls with respect to:

i) Independence

- Document the independence requirements as laid down in the Company Act 2063, Code of Ethics and other statutory requirements, etc. These requirements could be actions such as the non-acceptance of festival gifts, allocating staff who are closely related to the audit client, etc.
- Ensuring that all persons in the firm are aware of the requirement of independence and what it entails.

ii) Professional Skills and Standards

- Document the competency profile of all partners including staff and match it with the profile of existing as well as potential clients.
- Lay down the policy to be followed in updating as well as enhancing knowledge including nature and duration thereof for partners and staff. CPE hours prescribed by ICAN may be

considered as the minimum requirement.

- Consider having weekly meeting with all staff and discuss issues related to ongoing and prospective clients.
- Provide access to libraries and other authoritative sources.

iii) Staff Supervision and Development

- Existence of a system describing the responsibility of each person, which should be commensurate to individual qualifications and expertise.
- System of written guidelines regarding career opportunities, performance appraisals, etc.
- Policy regarding orientation of new employees, discussion of office procedures, etc.
- Availability of technical literature to staff to ensure that they are aware of changes taking place in Accounting and Auditing Standards and other related areas.
- Designing a training and study plan for articles.

iv) Office Administration

- Maintain a register containing the list of clients, along with information about the kind of services being rendered to each client, inter alia contact details and a brief profile of the client for ready reference.
- Maintain files containing particulars of each employee, e.g., appointment letter, details of training programmes undergone during employment, periodic evaluation of performance, etc.
- Maintenance of a proper library.
- Communicating general quality control policies and procedures to personnel in a manner that provides reasonable assurance that the policies and procedures are understood and implemented.

v) Engagement Quality Control Review System

- The firm shall have established policies and procedures setting out:
  (a) The nature, timing and extent of an engagement quality control review;
  (b) Criteria for the eligibility of engagement quality control reviewers; and
  (c) Documentation requirements for an engagement quality control review.

- The engagement quality control review has been completed before the report is issued; and
- The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions they reached were not appropriate.

The five general controls described above can be described as the pillars that support the quality of work done by an audit firm. Therefore, the stronger the pillar, the better the quality of attestation engagements performed by an audit firm.

The Quality Control Standard applies to all firms. The nature of the policies and procedures developed by individual firms to comply with this Standard may, however, depend on various factors such as the size and operating characteristics of the firm, and whether it is part of an international or domestic network of firms.

Let us now deal with critical areas where full compliance with the Quality Control Standards seems distant dream by predominantly sole proprietorship firms with single qualified person and providing attestation services to small sizes businesses.

1. Separate Quality Control Reviewer

The firm shall have established policies and procedures designed to promote an internal culture based on the recognition that quality is essential in performing engagements. Such policies and procedures shall require engaging an independent quality control reviewer with sufficient and appropriate experience and ability, and the necessary authority, to assume that responsibility.

It seems impracticable in the case of sole proprietor firm or firms with limited number of partners. In such a situation it may be in the interest of the firm to join hands with another practicing firm on mutual reciprocity basis to conduct quality control review of the work done by the firm.

2. Ethical Requirements

The firm shall have established policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements.

This requires firm's policies and procedures required to ensure compliance with all the 5 principles of ethics[1] . The firm must ensure that firm's ethical requirement compliance, such as declaration of independence, non-acceptance of gifts, rotation of engagement team leadership, action against breach of independence, etc. are documented, communicated, understood and complied with by its staff.

[1] Basic Principles of Ethics are i) Integrity; ii) Objectivity; iii) Professional competence and due care; iv) Confidentiality; and v) Professional behavior.

Although rotation of audit firm/partner/principal is shorter (3 years) as prescribed by the Company Act 2063 than as prescribed in NSQC (7 years), it may be in the interest of the audit firm to rotate at-least the engagement team after certain interval of time to deal with safeguards to reduce the familiarity threat to an acceptable level in other engagements not covered by Company Act.

3. Acceptance and Continuance of client relationship and Specific Engagements

The firm shall have established policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to provide it with reasonable assurance that it will only undertake or continue relationships and engagements where it:

(a) Has considered the **integrity** of the client and does not have information that would lead it to conclude that the client lacks integrity;
(b) Is **competent to perform** the engagement and has the capabilities, time and resources to do so; and
(c) Can **comply** with ethical requirements.

In such a situation where getting assignments is difficult and if one starts thinking of whether to accept the assigned jobs, one may land up with no assignments on hand. This does not mean that one should not accept any assignments but to make you aware of the situation where you may land up into more trouble in exercising your professional ethics by accepting assignments with unethical persons. This helps avoid you to take burden of all risks associated with the assignments which should have been otherwise borne by its owners.

4. Human Resources

The firm shall have established policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the capabilities, competence, and commitment to ethical principles necessary to perform its engagements in accordance with professional standards and regulatory and legal requirements and to enable the firm or engagement partners to issue reports that are appropriate in the circumstances.

Addressing issues related to Recruitment; Performance evaluation; Capabilities; Competence; Career development; Promotion; Compensation; and the estimation of personnel needs enables the firm to ascertain the number and characteristics of the individuals required for the firm's engagements. It's not practicable to implement all these requirements due to fragmented form of audit firms, size of the firm, availability of personnel and frequent turnover of the staffs. However, it is in the interest of the firm to deliver quality service by assigning right job to right person.

5. Engagement Performance

The firm shall have established policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and regulatory and legal requirements, and that the firm or the engagement partner issue reports that are appropriate in the circumstances.

It is important that all members of the engagement team understand the objectives of the work they are to perform. Audit team must be briefed by the engagement partner/principal before start of the assignment. Appropriate team-working and training are necessary to assist less experienced members of the engagement team to clearly understand the objectives of the assigned work. This must be coupled with supervision of work progress with appropriate competency and review of the work done by the team by a competent person.

Another important requirement of this standard is the settlement of difference of opinion among the team members and quality reviewer. The firm shall have an established system and procedure to deal with such situation and report shall not be issued until the same is amicably resolved. External consultation may be sought in such case, including expert advisory opinion from the Institute.

6. Engagement Quality Control Review

The firm shall have established policies and procedures requiring, for appropriate engagements, an engagement quality control review that provides an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the report. Such policies and procedures shall:

(a) Require an engagement quality control review for all audits of financial statements of **listed** entities;
(b) Set out criteria against which all other audits and reviews of historical financial information, and other assurance and related services engagements shall be evaluated to determine whether an engagement quality control review shall be performed; and
(c) Provide documentation requirements for an engagement quality control review.

It helps provide evidence of the operation of its system of quality control.

Conclusion

Audit quality proceeds primarily from a firm's enlightened self-interest and from the concept of integrity. While each firm's specific approach regarding documentation, outside consultation, professional development, etc. depends largely on its size and organisational structure, it is envisaged that each of those elements must be present in one way or the other to ensure implementation of technical standards and that the staff and partners must understand the complexities of issues involved therein. Audit quality, in any case, is a significant factor in a firm's ability to attract and retain clients.

It is beyond doubt that while establishing systems and procedures, an audit firm, particularly a SMP, is likely to see the compliance cost increasing in the short-term. However, the increased cost will be an investment in assisting the firm in adhering to technical standards and improving the overall quality of audit. In addition, the firm will also benefit through gains in its overall reputation and image. Finally, in the long-term, it will be self-rewarding since clients will realise the benefits and will, therefore, be more than willing to pay additional remuneration for the services rendered.

In conclusion:

- Auditing Standards Board shall bring Implementation Guide for the Standards on Quality Control, specially keeping in view affordability, practicability and necessity for full compliance by SMP and/or sole proprietorship firm
- The Institute shall provide for effective Peer Review and expert advisory services to dispel difference in opinion, and
- Above all, an audit firm shall place emphasis on adhering to quality control system in letter and spirit.

It is my firm belief that **"Audit Quality"** will be the significant factor in the firm's ability to attract and retain clients in the days to come. It will not be wonder if Darwin's theory of survival of the fittest equally applies to Accounting Profession in WTO arena. Choice is yours to gear up from now and remain in the globe with dignity and pride.

SAFA Events at Pokhara

The SAFA Assembly, SAFA Board Meeting, SAFA Committee Meeting and SAFA Conference will be held at Pokhara, Nepal in mid January 2009.

Members and participants interested to participate in the conference are requested to contact ICAN office at Babar Mahal, Kathmandu.

Need of Professionals in Public Sector Accounting's Reform Process

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Since a long time, Nepal has applied cash basis of accounting system in public sector accounting. Similarly, Annual budget of Government of Nepal (GoN)'s is on cash basis. However, both Government's Financial Statement (FS) and annual budget can not show Government financial positions on that date, i.e. at the end of financial year and does not provide its liquidity position on that date. Presently practicing system is in existence for more than three decades and experts from public sector financial management and professionals having knowledge in public sector accounting and auditing are accepting weakness of existing system for preparing general purpose financial statement of GoN either for consolidated or at Ministry or at department level. Further, some studies were carried out in public sector accounting and auditing during this decade in order to identify the gaps with international best practices, i.e. International Public Sector Accounting Standards and Auditing Standards. Some of major studies of these decades in Nepalese public sector accounting and auditing are, Country Financial Accountability Assessment (CFAA), 2003 and Nepal Public Sector Accounting and Auditing - A Comparison to International Standards, 2007. Both studies were joint efforts of the World Bank and GoN. Considering the gaps identified by these studies and needs for the development in public sector financial management GoN has put its commitment through Public Expenditure and Financial Accountability (PEFA), an Assessment of the Public Financial Management Performance Measurement Framework, 2008. PEFA document provides both for short term and long term activities and indicators identifying task and responsibilities of various agencies for the development of public sector financial management. Such agencies include; office of the Auditor General (OAG) National Planning Commission (NPC), Ministry of Finance (MoF), Financial Comptroller General Office (FCGO), Nepal Rastra bank (the Central Bank of Nepal) and Professional Institutions like; the Institute of Chartered Accountants of Nepal (ICAN), Accounting Standards Board (ASB) and Auditing Standards Board (AuSB).

So, now, all these agencies responsible for the public sector financial management have single voice that PEFA indicators and its activities are the bottom-line and common approach toward reforms in public sector financial management. Based on recommendations of gap studies it is accepted that Nepal will carry out necessary home works for the adoption of Cash Basis International Public Sector Accounting Standards (IPSAS) 2003. This standard is a joint effort of International Organisation of Supreme Audit Institutions (INTOSAI) and International Public Sector Accounting Standards Board (IPSASB) which was formed under IFAC to set up accounting standards in Public Sector. IPSASB has revised IPSAS Cash Basis twice, in 2006 and 2007. To date, IPSASB has developed 26 Public Sector Accounting Standards based on the accrual system of accounting and these Accounting Standards are referred to as IPSAS only.

Why we need reforms in public sector accounting through the adoption of IPSAS Cash Basis is to minimize the following shortfalls for the presentation of financial statement of public sector:

- Consolidated financial statement with Accounting Policies and Disclosures thereon; Total cash receipts and payment, quantification of Contingent Assets and Liabilities, Balance Sheet of Financial Assets;
- Comparative financial data;
- Accounting Policies and Disclosures requirement;
- Explanatory Notes to Financial Statements;
- Certification of Financial Statements by Auditor General;
- Presentation of audited figures to the Parliament;

- Uniformity in presentations;
- Standards based practices and GAAP application; and
- Recognition of Financial Statements/ General Acceptance.

Once GoN adopts IPSAS cash basis through the introduction of Nepal Public Sector Accounting Standard (NPSAS), which is in finalisation stage, Financial Statements of GoN, either for consolidation of Financial Statements or at entity level shall minimise the above shortcomings.

To this date, in the course of all above studies and development process GoN and development partners are earnestly taking support from accounting professional particularly from Chartered Accountants at individual level or through ICAN and NASB. It is therefore, Nepal's reform in Public Sector Accounting is a collective effort of GoN's line agencies, professionals, development partners and experts in public sector financial management.

Why public sector needs active supports from Accounting Professionals in its reform process? It's a very important question and we can response this issue through the lessons learned from various initiatives of several countries with support from accounting professionals. One of the best example, we are much familiar with, is a joint task force of IFAC and INTOSAI for the development of Public Sector Accounting Standards. To date, IPSASB is not only developing the IPSASs but also is closely monitoring and supporting for the adoption of such standards for the preparation of general purpose financial statement of the government of the respective country.

Most of the countries, that have adopted IPSAS, are working together with accounting professionals having expertise in public sector. Whatever the countries they are adopting Cash Basis IPSAS or IPSASs their initiatives are guided by IPASB concept. From the level of IPSASB to a country's Accounting Standards Setting Board there is a combination of accounting professionals, experts in public sector and representatives from government agencies.

One may ask why GoN needs support from professionals for the adoption of NPSAS. Professional involvement in the process of reform in public sector financial management will be more reliable, credible and sustainable. Experts in public sectors can get knowledge from professionals particularly for the interpretation of accounting standards on recording of transactions and events, preparing accounting policies, setting reporting entities and for preparing general purpose financial statements. Recognition of the general purpose financial statements may become a major challenge to the GoN before the public, international communities and development partners. IF the GoN acknowledges these challenges it shall move ahead in tune with the recommendation of gap analysis and PEFA indicators bringing professional together with to get recognition in the output of its reform process and also get confidence from professional societies. Mr. Ronald point, consultant of the World Bank and expert in public sector accounting has appreciated that Nepal reform process in public sector financial management can be a model practice to other Asian countries. He remarked as Nepal is doing its best through the joint efforts of accounting bodies and the GoN.

It is therefore, GoN is further recommended continue to take support from accounting professionals to bring its initiatives' at conclusion and capitalise country's own expertise. GoN needs to do in order to get recognition on its deliveries from public and international communities and harmonise Nepalese initiatives with the global practices.

Barriers to Enduring Success

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A human being is an integration of three different planes of existence: the body, the mind and the spirit (consciousness). So our aim in life is three-fold: towards health, effectiveness and peace. On the level of the body we want to become healthy, on the level of the mind we want to be effective and on the level of consciousness we want to realize the inner peace that is our true potential. We have experienced all of these three in small quantities and somewhere deep within ourselves we want to experience them to the fullest possible extent and that too, permanently. This is our basic search and the core of our existence. Success is achieving an optimal level of these three components in our life.

We now want to know what stops us from achieving this success which all of us so earnestly desire. Not only this, in the core of our heart we know that enduring success is our true potential and until we reach there we never experience satisfaction and contentment. So much of research has been carried out in this area and a myriad of literature is available now. People who have traveled to the root of this issue have cited various reasons for our failures in life. Reasons could be many and almost uncountable, but basically the root cause is one, i.e. our ego. Our ego is the one that acts as a barrier on our way towards enduring success in life. Now we will examine seven ways of how ego manifests in our day today life and how it prevents us from reaching where we want to. We will also look at how people who have come out of these barriers to success look at life and its opportunities.

1. I am separate from everyone else

The ego considers itself as separate from everyone and everything else. It simply closes its eyes to the fact that I am connected with everything in the universe. This feeling of separateness gives rise to loneliness and misery because we always feel that we are alone and feel threatened and insecure. To overcome this, the ego sets out a personal and private agenda and mission in life which may contradict with everyone else's. Feeling of insecurity gives rise to lack of trust all around. The result is frustration and deep anguish.

Successful people have an open heart and they feel connected with everyone and everything in this universe. They slowly develop a sense of belongingness and inter-connectedness with the people and environment around and treat others not as enemies but as partners to their progress and happiness. They start becoming very friendly and are very effective both on personal and organizational levels. They can trust people and also can be trusted because they have understood the value of genuine trust.

2. I need to win / attain victory

Since ego is composed of gross inferiority complex, it always feels the need to win and attain private victory at every step. It thinks that with every action and event it must win or else it will ruin itself. This feeling gives rise to grave attachment to results of actions performed and the mind becomes burdened and obsessed all the time. No part of the mind is free to be used to think, plan and perform actions. The ego interprets even small obstacles and problems in life as a great failure and unnecessarily creates stress and deep anguish.

Creative people enjoy actions, and are more or less indifferent to the outcome. They know deep within themselves 'as you sow so you reap'. They perform actions not because they want to attain victory in life but because they have so much of creative energy within themselves that it automatically becomes a constructive action. No matter what the outcome may be, they are always performing and are seen in abundant action. Small failures do not deter a performer like Thomas Alva Edison to carry out more research, because he knows deep within that success is the result of persistent efforts without much interference of the ego.

3. I need to control

It is the ego that wants to control everything around. It thinks that the employees are not self-performers and they need to be thrashed time and again to remind them of their duty. It also thinks that the spouse will sure flirt with someone else if not closely watched. Similarly, the ego feels that everyone is there to cheat and manipulate. Thus, the ego immediately starts having a suspicious eye on all events and people and thinks in terms of close control. Since this is not always possible, the ego is lost in problems and feels offended even when something is not in line with its idea of control.

Performers trust everyone including their colleagues, subordinates, business partners, friends and family members and look at everything in terms of 'cooperation' rather than 'control'. Since they trust everyone they get trust in return. They know that every human being wants to perform and give good results and they invest heavily in creating an environment where creativity and ingenuity will flourish. Such people believe in creating a good system and use every problem to correct the system without finding fault with people. Slowly, they develop progressive system for good governance, both at home and in the organization.

4. I need to struggle / fight

Since ego thinks in terms of personal and private agenda which is generally not in line with everyone else's, it sees that struggle and fight is the only method of achieving it. All others around also have their own personal goals to be achieved, and given scarce supply of resources the ego thinks that it has to almost grab and snatch away from someone else. This logic leads the ego to believe that people who are rich are so because they grabbed someone else's share, and the poor are there because they have been deprived of their true share. They start looking only at the distribution of wealth rather than its creation, and since equity is not the rule of the universe, you will see such people almost always complaining about inequitable distribution in the society. These are the people who always think of competition and are lost in the competitive game. These people are slowly eaten away by their own wrong mental tendency and develop enmity with almost everyone and stress becomes their day today affair.

Positive people know that there is enough supply in the universe for everyone and they channel their energy to know how to tap those resources. They look at life as an opportunity to co-create with everyone else and think in terms of deep cooperation. They are playful and innovative and free from all types of stress. Every activity for them becomes constructive and they refuse to indulge in anything destructive.

5. I am superior to you

The ego wants to position itself as the mightiest and all-knowing because it knows that the moment it is defeated it will lose its entire ground. It always feels shaky and insecure. So the ego believes in 'looking good' rather than 'being good'. Since it understands only the 'win/lose' language, it tries to show off itself as superior to everybody so that nobody can claim an equal position. The ego is worried that somebody else will take its position and starts doing everything to protect this self-created position and image. Since everyone around is into a similar game, the ego has a tough time defending its position and as a result can do nothing great and creative.

Performers know that all beings are created equal. The circumstances and the attitudes may vary, but intrinsically we are made up of the same energy. We breathe the same air, share the same sun, moon and the earth. So they refuse to look at life from the point of view of superiority / inferiority. They also know that being happy is more important than being right and that solving a problem is more important than winning an argument. They simply come out of the win/lose game, and look at life with a sense of purpose and opportunities. They have a respect for work, no matter what it is.

6. I am equal to the sum total of my possessions and achievements

Ego is another name to the feeling of an inner lacking, or void, or a gap deep within. Ego doesn't give any value to what it already has; it thrives on what is missing in life. Because of this, the ego tries to prove its superiority by displaying what it has accumulated outside in terms of wealth, fame, power and position. Slowly, the ego is convinced that its value is equal to the sum total of all these external possessions that are subject to continuous change and comparison. So, the ego starts to think in terms of pride, envy and jealousy. It takes pride if its possessions are more than that of others and is filled with envy and jealousy the moment they fall short of others. Pride, envy and jealousy are the virus that eat away all of a human being's brain and intelligence leaving only the bad clusters behind.

Proactive people give more importance to 'what they are' rather than 'what they have'. This way, they refuse to become the victim of the comparison game and their mind is set free to do something worthy, creative and useful. Since they are not much affected by what they have in comparison to others, there is no place for pride, envy or jealousy in their life. You can never see them miserable, complaining or off-mood. They do something because they want to do it, and not because they want to outdo somebody else.

7. I can be offended / dominated

Ego positions everything as 'I' versus 'you'. Since it understands only this language, it is always in look out of opportunities to achieve its petty goals by any means, hook or crook. It uses very narrow and self-defined approach to things and situations and interprets every incident in terms of success or failure. This creates situations where the ego feels offended and dominated, and looks out for opportunities to react in every possible way. Similarly, as the ego uses offence and domination mechanisms to control people and situations, it always analyses things in these terms.

Achievers give priority to winning the war as compared to losing a battle. Since they do not take events or situations personally, they are unlikely to be affected by the outcome. They know that roses always come protected by thorns and that unpleasant situations are necessary for us to grow and awaken to the reality of life. This helps them develop a sense of equanimity, which is the foundation of human growth. As they are not confined to one specific idea or frame of mind, they are less likely to be offended by others. As freedom is their essential core, they neither dominate nor feel dominated by anyone.

Ego is the greatest barrier to both personal as well as professional success. We need to work on all of these seven reasons simultaneously so that we do not function out of our ego center. We have to awaken to the fact that optimum human performance and happiness is the result of an egoless life.

Regulation of Accounting Profession and Transparency

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Background

In recent years, there has been a growing focus on transparency in reporting the financial performance of enterprises. External auditors verify the information reported in the financial statements of the enterprises. An external audit is a formal independent review of an enterprise's financial statements, records, transactions, and operations. An external audit is typically performed by professional accountants to lend credibility to financial statements and other management reports, ensure accountability for donor funds, or identify weaknesses in internal controls and systems. There are many types of external audit, with different objectives and scopes of work. The most common is the financial statement audit, which judges the reliability of the enterprises' financial reports in light of accepted accounting principles. Compliance audits test whether legal or contract obligations have been fulfilled. Audits may test particular accounts or departments, or evaluate information systems or the internal control environment. Regardless of its type, an external audit measures whether some process complies with a defined set of standards or procedures.
In general, donors and alike assume that an external audit conducted by a recognized professional accountants provides a greater degree of credibility to the financial statements.

With the corporate scandals of Enron, Worldcom and others, the audit profession is now in the forefront of the minds of investors, businesses, regulators and others. Financial reporting, corporate governance and accounting and auditing practices must keep up with the needs of these groups. Effective regulation of the profession is one means of ensuring that the profession keep pace with these challenges.

In addressing these challenges, national accounting profession regulators and the International Federation of Accountants share common goals: facilitating communication and cooperation among accountancy bodies and with the larger business and regulatory community; providing technical assistance to accountants in all sectors; and promoting high quality standards of accounting, auditing and ethics. It is no wonder, then, that accountancy bodies of different countries are actively involved in activities carried out by the world accountancy body; the IFAC. Numerous volunteers from various member countries serve on IFAC boards and committees - helping to develop high-quality international standards, encouraging convergence to those standards and undertaking all these activities in the public interest.

As the global organizations for the accountancy profession, IFAC and member nations firmly believe that effective audit regulation is critical to protecting the public interest.

Regulation of the Profession

Broadly defined, regulation refers to the making and implementation of rules that direct or constrains the behavior of a person or group of people being regulated. In most developed nations, the licensing and regulation of the accountancy profession was founded through the initiative of practicing professional accountants who often sponsored legislation to set minimum requirements to be designated as a professional accountant. Historically, leading practitioners then established a code of professional conduct and, eventually, accounting, auditing and other practice standards. In more recent years, businesses have become increasingly more complex and globalization has taken hold. At the same time, to meet new marketplace needs professional accountants and their firms have expanded the range and types of business services they offered their clients well beyond the traditional attest and assurance and taxation advice. These changes, when combined with major public company failures involving inadequate corporate governance and perceived or adjudicated shortcomings in auditor performance, resulted in a widespread conviction of the need for reexamination of accounting regulation and standard-setting structures. Regulation of the profession has typically covered the following areas:

- Education and admission standards;
- Reporting standards;
- Ethical standards; and
- Disciplinary action.

A key change in the regulation of the profession in recent years has been the move to increased regulation of the performance of professionals and/or the performance of the professional accountancy bodies. So there are now two additional areas of regulation. These are:

- Monitoring of quality of services provided by accountants
- Monitoring the self-regulatory activities of the professional accountancy bodies as they apply to audits and auditors.

Regulating Framework

How can this regulation of the profession today best be carried out? Generally, the professional bodies and/or the government regulate the profession. Where primarily the professional bodies have carried out the regulation, it is often referred to as "self-regulation" and when the government carries it out, is often just called "regulation" and 'direct regulation' would be the appropriate terminology to cite it. It is important to keep in mind that there is no pure model of either self-regulation or regulation. The profession rarely regulates without some form of government mandate to do so, and similarly, the government rarely regulates without some form of interaction with the profession.

In general, national regulators act under a power delegated from their respective governments. The government has given legal recognition to the profession and has given the professional institute a set of roles and responsibilities and some form of reporting requirement. These responsibilities can include admission criteria, continuing professional education requirements, disciplinary provisions, standard setting and so on. Reporting requirements often take the form of annual reports by the professional body. Under self-regulation then, the government has delegated the responsibility for regulation to the profession and the profession regulates itself within that framework and then reports on its activities. There can be a greater or a lesser degree of government monitoring and oversight.

Direct regulation, for example, through the establishment of an oversight body, simply means that the government itself has assumed responsibility to regulate part, or, rarely, all of the profession. However, like self-regulation, this regulation is taking place within a set of roles, responsibilities and reporting arrangements that have been set by government and established in legislation.

Recent Developments

In recent years, two clear trends have emerged in regulation of the profession; a move towards direct regulation and, at an international level, pressure for regulatory convergence. The trend towards more direct regulation emerged out of the financial scandals of Enron, WorldCom and a loss of credibility in the profession. This move started with enactment of Sarbanse Oxley Act in US. But this move is not without controversy as this framework of regulations has often been expensive.

The pressure for convergence has come from an increasing realization among regulators and the profession that capital markets are much more global and that convergence would assist in making the international financial system more efficient and robust. But regulating at an international level cannot simply mirror the national approach. At international level, there are seeing increasing dialogue and cooperation between regulatory agencies to express agreement through the development of principles.

In discussing methods of regulation, it is important to remember that accountancy is a profession. That means that professional accountants have an overriding responsibility to the community in which they live, not just to their current clients or to themselves. So even in circumstances where there is total direct regulation, there is still a need for the profession to regulate the activities and conduct of its members to ensure that this responsibility to the community is fulfilled. The only caveat is that this regulation needs to be efficient and effective.

It is not appropriate to prescribe the best method since no "one size fits all" rather it largely depends upon the circumstances. The circumstances may be institutional framework, provision on incorporating law, capability of the members and structure of its apex body such as 'council'. The regulator must act in the public interest. Whatever regulatory framework is used, be it administered by the profession or government, it must give the regulator appropriate incentives to act in the public interest. Regulators must have a clear purpose and the ability to resist any moves towards regulation that are self-interested or motivated by special interest groups.

Serving the public interest means having regulations that achieve their aim of being effective and efficient without imposing unnecessary costs. The benefits of the regulation - that is, its effectiveness in protecting the public interest - must exceed its costs.

Principles for Regulators

The International Organization of Securities Commissions (IOSCO) has undertaken work in this area and has developed a series of principles for regulators. These principles hold that:

- The responsibilities of the regulator should be clear and objectively stated;
- The regulator should be operationally independent and accountable in the exercise of its functions and powers;
- The regulator should have adequate powers, proper resources and the capacity to perform its functions and exercise its powers;
- The regulator should adopt clear and consistent regulatory processes; and
- The staff of the regulator should observe the highest professional standards, including appropriate standards of confidentiality.

The choice between self-regulation and direct regulation primarily depends on who can meet the IOSCO principles and carry out the required functions most efficiently.

Setting of Auditing Standards

Auditing standards are a key factor in the regulation of the audit profession. If the profession is to perform high quality work in the public interest, it needs to have high quality standards that are set in the public interest. The primary duty of all professional accountants, wherever they work, is to serve the public interest.

So, technical expertise may be the first and most obvious factor for what skills and processes are required to set high quality audit standards. Those responsible for setting the standards need to have sufficient technical expertise and understanding of auditing and audit processes. This expertise is generally found within the audit profession, and is not limited to auditors in public practice. Secondly, the standard-setting process needs to be informed by all those involved in auditing; the profession, companies, regulators and so on. So there needs to be input into the process from these groups.

As the technical expertise is found in the profession and the profession is responsible for carrying out audits, there is a potential for a lack of independence in fact or in appearance. This independence issue needs to be addressed if auditing standards are to be acceptable to the wider community. Overcoming independence concerns means having a strong and robust process and public interest oversight.

Nepalese Context

In 1997, the Institute of Chartered Accountants of Nepal established under Chartered Accountants Act, 1997. The Institution is empowered to regulate accounting profession of the nation. The council is the apex body which is constituted as 10 chartered accountant members elected amongst chartered accountants, 4 registered auditor members elected amongst registered auditor members and 3 members nominated by Government of Nepal totaling 17 members in council. In addition to council, there are 4 standing committees. Disciplinary Committee is one among them. Out of the total 7 members of the committee one member is nominated by Office of the Auditor General. Chartered Accountants (with amendment) Act, 1997 contains provision whereby Disciplinary Committee as a standing committee carries out with great power the investigation on whether any member has discharged his duty in accordance with the provisions laid down in the act, technical standards pronounced by the Institute and Code of ethics applicable and making appropriate recommendation about the action to be taken.

As there are 3 members in council nominated by Government and one member in disciplinary committee nominated by Office of the Auditor General, it is being argued by one or another corner that accounting profession in Nepal is being regulated by blend of government and professional experts. Till date it seems that Government of Nepal has not exercised direct regulation of the profession. After the fall on Enron and WorldCom, Sarbanse-Oxley

Act introduced in US and introduced a variety of regulating mechanism. Though this is not free of controversy but one thing is clear that self regulating Professional bodies should play great role with great cautious in this regard otherwise it would compel government worldwide to have a direct regulating mechanism under its own umbrella.

In Nepal, Auditing Standards Board formulated under Chartered Accountants (with amendment) Act,1997 has been empowered to formulate, develop and amend and interpret the Auditing Standards based on national requirement with consideration of international developments on this regard. The Board has developed its own working procedure.

It is critical that, regardless of whether there is self-regulation, direct regulation or some combination that both the profession and the regulator act in the public interest and that the benefits of regulation outweigh the costs.

Transparency and Governance

Transparency refers to the availability of information to the general public and clarity about government rules, regulations, and decisions. It can be strengthened through the citizens´ right to information with a degree of legal enforceability. Transparency in government/public decision-making and public policy implementation reduces uncertainty and can help inhibit corruption among public officials.

Many countries, especially developing countries in the world are encountering by serious fiscal scandals. The root of these scandals is the governance challenges that called for a need to reform government management and financial operations.

In this context, accounting profession regulators can play vital role to promote transparency with the introduction of more stringent standards requiring more disclosures in financial reporting and making its member professionals to be regulated with acceptable ethical requirements pronounced by them. This is the real time to the regulators to prove them as a watchdog to safe guard the interest of society at large.

To combat with these governance challenges and get rid of these challenges, following measures can be introduced-

- Anticorruption law
- Corporate Regulatory Framework
- Reforms in legal and justice field
- Participation of civil society in decision-making
- Pro-poor service delivery mechanism
- Transparency in Financial Transactions and Reporting

Conclusion

The regulators, regardless of its framework must have its vision and mission to enhance accountability and transparency for credible, effective, efficient and independent management of resources. Accordingly, they need to frame their strategic plan. Without having clear vision, mission and strategic plan, regulator's actions may not be or appear in favor of society at large. As society expects from them, the regulators should direct its all efforts to safeguard the interests of the different group of the society. Otherwise it will loose its credibility and ultimately it will push the profession in peril.

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s_ as jf ljlQo ;:yfsf kdv sfosf/L clwst jf sdrf/Ln krlnt sfgg adfhLd sdrf/L ;ljwf cGtut shf jf ;fk^L lng jfwf k¥ofPsf dflgg %g .

v_ glhssf gftbf/nfO as jf ljlQo ;:yfsf ;rfns ;ldltsf :jLstL lnO shf jf ;ljwf lbg afwf kg %g .

u_ s;n klg lglFkstf jf as jf ljlQo ;:yfsf lxt kltsn xg u/L as jf ljlQo ;:yf sf ;Dklt vr ug u/fpg xbg .

#_ s;n klg u/ alsé ;DklQ nufot as jf ljlQo ;:yfsf cGo ;Dklt lnnfd ljqmL ubf jf cGo xg sf/faf/ ubf sg cflys clgoldttf ug xbg .

8= efvf gf#sf C)fLn ;DklQ kfKt ug jf vftf vfNg gxg .

sg efvf gf#sf C)fLn as jf ljlQo ;:ynfO ltgkg shf glt/L :jbz jf ljbz l:yt as jf ljlQo ;:yfdf vftf vfnL /sd /fVg jf To:tf vftfnfO lg/Gt/tf lbg jf ;rfng ug jf cGo sg t/Lsfn sg rn crn ;Dklt vl/b ug jf To:tf ;DklQ pk/ sg tl/sfn xs efu kfKt ug xbg . sg C)FLn ;:yfsf C)Fsf efvf ggf#b :jbz jf ljbzdf sg rn jf crn ;DklQ kfKt u/sf jf vftf ;rfng u/L lg/Gt/tf lbO cfPsf /x% eg C)FLn To:tf ;DklQ jf as vftfaf^ kfKt xg /sd shf ltg kofu ugkg% cGoq vr ug kfOg %g .

9= C)fLsf rfn kl/ofhgfnfO shf jf ;ljwf :jLst u/L klxnf ls:tf kbfg u/L ;skl% kofKt cfwf/ / dgfl;j sf/)F ljgf C)FLsf rfn kl/ofhgfnfO gfS;fg xg u/L afsL ls:tf shf jf ;ljwf lbg ljrdf /fSg xbg .

10= s;nklg as jf ljlQo ;:yfsf sg sfuhft jf vftf jlxdf nlvPsf sg s/f sg tl/sfn x^fO jf p*fO cs dtna lg:sg Jofxf/f kf/L ldnfO nVg h:tf sfd u/af^ cfkmnfO jf c? s;nfO kmfObf jf xfgL gfS;fgL ug p@Zon ls t ug jf csfsf xfgL gfS;fgL ug p@Zon gu/ gePsf em&F s/f u/ jf ePsf egL ldlt cs jf Joxf/f km/s kf/L ;xL%fk u/L u/fO sfuhft agfO jf agfpg nufO hfn;fhL ug xbg .

11= shfsf lwtf :j?k as jf ljlQo ;:yfdf /flvg rn crn ;Dklt jf u/ alsé ;DklQsf ?kdf /xsf ;Dklt lnnfd ljqmL jf cGo kofhgsf nflu dNofsg ubf dNofsg stFn a(L, sd jf unt dNofsg u/L as jf ljlQo ;:yfnfO xfgL gfS;fgL k¥ofpg sfo ug xbg .

11= as jf ljlQo ;:yfnfO xfgL gfS;fgL k¥ofpg p@Zon s;n klg sg sfd u/fpg jf gu/fpg dfnflxhf ug jf gug, sg lsl;dsf /sd lng jf lbg, ljgf dNo jf sd dNodf sg dfn a:t jf ;jf lng jf lbg, bfg bftJo, pkxf/ jf rGbf lng jf lbg, unt lnvt tof/ ug jf u/fpg, cgjfb ug jf u/fpg jf u/ sfggL nfe jf xfgL k¥ofpg ablgotn sg sfo ug jf u/fpg xbg .

b)*;hfo M

oL dfly pNnlvt s;/ u/df lgDgfgzf/sf b)*;hfosf Joj:yf of Pgn u/sf % .

1= s;n dfly pNnlvt 1, 2, 8 adflhd sg sfo u/df s;/sf dfqf cg;f/ bz xhf/ ?kof ;Dd h/Ljfgf xg% .

2= s;n dfly pNnlvt 3, 4, 5 sf -#_, -ª_, -r_, -%_, -h_ 6, 7, 8, 9, / 12 adflhd sg sfo u/df To:tf s;/ ;u ;DalGwt bxfo adflhdsf ljuf ePdf s;/sf dfqf cgzf/ bxfo adflhdsf sb / ljuf e/fO ljuf adfhLd h/Ljfgf xg% .
s_ bz nfv ;Dd ljuf ePdf M Ps jif;Dd sb
v_ bz nfv eGbf a(L krf; nfv ;Dd ljuf ePdf M Ps jif blv bO jif ;Dd sb
u_ krf; nfv ?kof eGbf a(L Ps s/f* ;Dd ljuf ePdf M bO jif blv tLg jif ;Dd sb
#_ Ps s/f* eGbf a(L hlQ;s ljuf ePklg M tLg jif blv kfr jif ;Dd sb

3= s;n dfly pNnlvt 5 sf v)* -s_, -v_, -u_ jf 11 adflhd sg sfo u/df s;/sf dfqf cg;f/ To:tf lwtfsf dNofsg a/fa/sf /sd h/Ljfgf u/L kfr jif ;Dd sb xg% . To:tf dNofsg ug dNofsgstfnfO d@f xg clwsf/Ln s;/sf dfqf cg;f/ ;hfo eQmfg ePsf ldltn tLg jif ;Dd dNofsg ug gkfpg u/L /fsnufpg cfbz ;dt lbg ;Sg % .

4= ljuf hkmt u/L ljuf sfod ug g;lsg cj:yf ePsfdf s;/sf dfqf cg;f/ bz nfv ?kof ;Dd h/Ljfgf / bO jif ;Dd sb xg% .

5= sg ;:yfn o; Pg cGtutsf s;/ u/sfdf To:tf kbflwsf/L jf sdrf/LnfO / klxrfg xg g;ssfdf s;/ u/sf avt To:tf ;:yfsf sfofno kdvsf xl;otn sfd ug JolQmnfO lhDdjf/ &FgL ;hfo xg% .

6= alsé s;/ ug pBfu ug JolQm jf ;:yf jf To:tf s;/ ug kToIF ?kdf ;nUg JolQm jf ;:yf jf To:tf s;/df ;#fp k¥ofpg JolQm jf s;/ ug ;#fp k¥ofpg ;:yfsf sdrf/L jf kdv sfosf/L kbflwsf/L jf kbflwsf/Lnf0 s;/bf/nf0 xg ;hfosf cfwf ;hfo xg% .

7= o; Pg cGtutsf cg;Gwfg tyf txlssft ;DalGw sfd sf/jfxLdf s;n jfwf lj/fw u/df lghnf0 cg;Gwfg tyf txlssft ug clwsf/Lsf k|tjbgsf cfwf/df d@f xg clwsf/Ln 6 dlxgf ;Dd sb jf kfr xhf/ ?kof ;Dd h/Ljfgf jf bj ;hfo ug ;Sg% .

d2fsf]sf/jfxL lsgf/f

o; Pg cGtutsf s;/df To:tf s;/ ePsf s/f yfxf kfPsf ldltn Ps jif leq hfx/L lbg ;lsg% / To;/L hfx/L k/sf ldltn 6 dlxgf leq gkfn ;/sf/n gkfn /fhkqdf ;rgf k|sfzg u/L tfsL lbPsf cbfntdf d@f bfo/ ul/ ;Sg kg% .

dfly h;s s/f nlvPsf ePtfklg sg as jf ljlQo ;:yfsf sdrf/L jf kbflwsf/Ln cfkm kbdf axfn /xsf cj:yfdf as jf ljlQo ;:yfsf ;Dklt lxgfdLgf jf xfgL gfS;fgL u/L alsé s;/ u/sf ;DaGwdf To:tf sdrf/L jf kbflwsf/L pk/ hlxn;s klg d@f rnfpg ;lsg % . o:tf sdrf/L jf kbflwsf/L cfkmgf kbaf^ cjsfz k|fKt u/kl% klg d@f rnfpg afwf kg %g .

k|rlnt sfggdf hg;s s/f nlvPsf ePtfklg o; Pg cGtutsf s;/df sf/jfxL rnf0Psf sg JolQmn sg k|df)f nfk jf gf; ug ;Sg jf cg;Gwfg tyf txlssftsf sf/jfxLdf afwf Jojwfg jf k|tsn c;/ kfg ;Sg kofKt sf/)F ljBdfg ePdf jf gkfndf :yfoL a;faf; gePsf sg JolQm tTsfn k|fKt k|df)faf^ 6 dlxgf jf ;f eGbf a(L sbsf ;hfo xg ;Sg alsé s;/sf s;/bf/ xf eGg ljZjf; ug sg dgfl;j cfwf/ ePdf cg;Gwfg tyf txlssft ug clwsf/Ln lghnf0 k|rlnt sfgg adflhd ygjf khL lb0 ygfdf/fVg ;Sg % . o;/L ygfdf /flvPsf JolQmsf ;DaGwdf rflj;#)^f leq cg;Gwfg tyf txlssft k/f gxg e0 lghnf0 ygfdf /fvL cg;Gwfg tyf txlssft hf/L /fVgkg blvPdf cg;Gwfg clwsf/Ln lghnf0 d@f xg clwsf/L ;dIF pkl:yt u/f0 lghsf cgdlt ln0 ygfdf /fVg kg% . o;/L cgdlt dfUbf ygfdf k/sf JolQm pk/sf cleofu, To:sf cfwf/, lghnf0 ygfd /flv cg;Gwfg tyf txlssft ug kg sf/)F / lghsf aofg sfuh e0 ;ssf eP aofg sfuhsf Joxf/f :ki^ ?kdf pNnv ugkg % .

ygfdf /fVg cgdlt dfu u/df d@f xg clwsf/Ln ;DaGwLt sfuhftx? x/L cg;Gwfg tyf txlssft ;Gtfifhgs eP gePsf ljrf/ u/L ;Gtfifhgs e0 /xsf eP Ps k^s jf k^s k^s u/L bz lbgdf ga(g u/L a(Ldf ktfln; lbg ;Dd ygfdf /fVg cgdlt lbg ;Sg % .

Pg sfof{jog ug{df sl7gf0{

Joj:yflksf ;;bn as tyf ljlQo ;:yfx?sf sf/faf/df xg ;Sg s;/hGo sfoaf^ as tyf ljlQo k|)ffnLdf kg c;/ / hflvdnf0 Gog u/L as tyf ljlQo k|)FfnL k|lt ljZj;gLotf clejl$ ug of Pgsf Joj:yf ul/Psf kfOG% . o; Pgdf as tyf ljlQo ;:yf ;u ;nUg kbflwsf/L, sfosf/L k|dv tyf sdrf/L / o;sf sf/faf/df ;nUg xg JolQmx?n ;dt sg s;/ u/df To;nf0 ;dt s;/sf bfo/f leq NofO b)* ;hfo ug ;Sg Joj:yf ePsf ePtfklg sfofGjogsf kIF eg sdhf/ ePsf % . sfofGjogsf ;dodf bvfk/sf sl&gf0 tyf rgftLx? lgDgfg;f/ /xsf kfOG% .

- as tyf ljlQo ;:yfdf ;nUg kbflwsf/L, sfosf/L k|dv tyf sdrf/Lsf ;nUgtf kQf nufpg g sl&g xg .
- gftfjfb, skfjfbsf sf/)F jf:tljs s;/ kQf nfUg sl&g xg .
- Electronic Media sf k|ofu xg ePsfn tTsfn s;/bf/ kQf nufpg sl&g xg .
- of Pg cg;f/ xg ;Dk)F s;/sf d@fx?sf sfd emGeml^nf / a(L k|lqmofdvL xg .
- hfx/L b/vf:t btf u/f0 d@f rnfpg g sl&g xg . of Pgsf sfofGjog ug ;/fsf/jfnf ;:yfx? aLr kofKt ;dGjosf cefj xg .
- Pgsf efjgf cg?k cg;Gwfg txlssft ug lgsfo tyf d@f xg clwsf/Ldf kofKt ;Lksf cefj xg .
- of Pgsf lfqflwsf/sf Jofkstf /xsf ;sf/fTds blvPtfklg sfoGjog kIFdf bvfk/sf sl&gf0 tngfTds ?kdf ulDe/ xg .
- Joj:yfkg / sdrf/Lsf kToIF ;nUgtf ePsf s;/sf cg;Gwfgdf cg;Gwfg clwsf/Lnf0 kofKt ;rgf ;sng ug sl&gf0 xg .
- as tyf ljlQo ;:yfx?df Pgdf s;/ egL pNnv ul/Pklg To;nf0 s;/sf ?kdf ph/L

gk/ ;Dd s;/df ;hfo xg g;Sg .

- hfx/L b/vf:t lbgsf nflu JolQm, ;:yf plQs ;IFd /xg xbf slxnsfxL hfx/L b/vf:t lbg s/fdf l$ljwf >hgf xg ePsfn ;dodf hfx/L b/vf:t gk/L s;/bf/ pDsg ;Sg .
- ;fjhgLs kb wf/)F u/sf JolQm jf /fi^ ;jfdf ;nUg /xsf s;/df clVtof/ b?kofu cg;Gwfg cfofu Pg, 2048 / e|i^frf/ lgjf/)F Pg, 2059 adflhd sf/jfxL xg /x% egL ;fxL cg;f/ xg egL pNnv ePsfn slxnsfxL s;/bf/ pDsg ;Sg cj:yf xg .
- of Pg cg;f/ sf s;/df ;hfo ePsf JolQmn of eGbf dflyNnf lgsfodf kg/fjbg ug kfpg :ki^ sfggL Joj:yfsf cefj xg .
- of Pg cfPsf w/ ;do gePtf klg s;/sf uDeLotfnfO x// cbfntdf kofKt d@fx? cfpg kgdf d@fx? bfo/f e sf/jfxL lsgf/f ePsf gxg .
- of Pgn cg;Gwfg clwsf/LnfO cg;Gwfgsf l;nl;nfdf kjfu|xL e cg;Gwfg ug ;Sg cfwf/ k|bfg u/sf kfOg .
- /sdsf ;Ldf sfod u/L ljufsf cfwf/df sb jf h/Ljfgf ug sfggL Joj:yf ePsfn ljuf eGbf klg s;/sf ulDeotf sf cfwf/df ;hfo xg kgdf ;f gxbf slxnsfxL uDeL/ s;/df ;nUg JolQm klg ljufsf cfwf/df %^ kfpg ;Sg cj:yf xg .

lgisif{M

dfly pNnlvt tYox?sf cfwf/df ljZnif)F ug xf eg alsé tyf ljlQo lfqdf oL vfnsf s;/x?sf kofKttf g xG% . t/ xfn ;Dd sf/jfxLs ?kdf aflx/ cfpg ;ssf cj:yf eg laNsn sd kfOG% . cfhsfn vnsf yk| as tyf ljlQo ;:yfx?n cfkmgf as tyf ljlQo ;:yfdf sf/fjf/ ubf dfq k)Ftof tof/ ul/g sfuhftx?df alsé s;/af^ aRg jf hflvd GogLs/)F ug qmddf C)fL jf sf/faf/ stf ;u grflxg cgfjZos ;rgfx? lngsf ;fy sfuhftx? ;dt agfpg u/sf kfOG% . sf/faf/ ug cj:yfdf cGo ljsNk gePsfn h h:tf sfuhftx? tof/ ul/Ptf klg x:tfIf/ tyf ;xL u/sf blvG% . t/ kl% s;/sf %fgljgsf qmddf tL sfuhftx? ljjfbu|:t ePsf klg kfOG% . To;n x/s as tyf ljlQo ;:yfn sf/faf/sf l;nl;nfdf s s:tf sfuhftx? tof/ u/ kUg jf sf/faf/df ;nUg JolQm jf ;:yfn s s:tf sfuhftx?df x:tfIF/ u/ kUg eGg s/f kf/bzL xg h?/L % . as tyf ljlQo ;:yfsf sf/fjf/x?df xg h htL sfuhftx? %g tL ;a sfuhftx?sf af/df ;DaGwLt JolQm jf ;:Yff hfgsf/ xg kb% . To;n oL dfly pNnv ul/Psf sl&gfO jf rgftLx?nfO x^fpgsf nflu gkfn ;/sf/, as tyf ljlQo ;:yfx?sf tkmaf^ kofKt ;xofu kUg g;ssf v)*df Pgsf sfofGjogdf afwf cj/fw cfO/xg s/fdf bOdt xg ;Qmg . To;n of Pgsf k|efjsf/L sfofGjog ta dfq ;Dej % ha as tyf ljlQo ;:yfx? of Pgsf sfofGjogsf nflu k|ltj$ xg%g ;fydf txlssft tyf cg;Gwfg ug clwsf/Lx?sf nuglzntf / ofUotf lfdtfsf ;fy d@f xg lfqflwsf/ k|fKt cbfntsf Gofoglw;sf Gofo ;Dkfbg k|ltsf k|ltj$tf klg plQs ck/Lxfo % . alsé s;/ nfO GogLs/)F ugsf nflu pQm ;:yfdf sfo/t sdrf/Lx?nfO of Pg / o; Pgsf cfwf/df aGg lgodfjnLsf af/df anf anfdf tflnd, ufi&L, ;ldgf/sf dfWodaf^ !fg k|bfg u/L /xg kb% . t/ xfn o:sf cefj blvG% . To;n o;sf k|efjsf/Ltfdf alsé tyf ljlQo ;:yf kj$gdf ;nUg ljzif!x?sf klg Wofg cfsif)F xg h?/L % .

;b:ox?nfO{;'rgf

1= 2066 hi&df kfrf kl/ifbsf lgjfrg xg uO/xsfn ;a ;b:ox?n cfkmgf ;b:otf gjLs/)f ug xg, ;b:o kl/ro kq glng ePsf ;b:ox?n kl/ro kq lnO gjLs/)f cBfjlws ug xg ;lrt ul/G% .

2= cf=j= z? ePsf ldltn klxnf 60 lbg kl% gjLs/)f zNsdf cltl/Qm zNs nfUg ePsfn ;dodf g gjLs/)f u/L cltl/Qm zNssf ef/af^ aRgxf; . kzfut kdf)fkq glng xg ;b:ox?n cfkmgf ;b:otf dfq x/s jif lgoldt ?kdf gljs/)f u/fO cltl/Qm zNssf ef/af^ aRgxf; .

3= cltl/Qm zNs cf=j z? ePsf 61 cf lbgaf^ 120 cf lbg;Dd 15 %, 121 cf lbgaf^ 180 cf lbg;Dd 25 % / ;f kl% 40 % nfUg % .

4= kzfut kdf)f kq gjLs/)f gu/Lsg nvfk/LIf)f ug lgod lakl/t xg Aoxf/f ;dt hfgsf/L u/fOG% . kTos jif kzfut kdf)f kqsf gjLs/)f ugsf nflu l;= lk= O= qml*^ cjf/ lng clgjfo ePsfn 2066 cfiff(d;fGt leq cfkmgf kfos kg :yfgaf^ l;= lk= O= tfnLd lngxg hfgsf/L u/fOG% .

5= gkfn rf^* PspG^G^ ;:yfn cfrf/ ;lxtf ;DjGwL lgblzsf hf/L ul/;ssfn ;f sf kl/kfngf ug u/fpg ;a ;b:ox?sf stJo xf . cfrf/ ;lxtf 2060 / lgblzsfx? ;:yfsf je;fO^df ;dt /flvPsf % .

6= cfkmgf &ufgf kl/jtg ePsf hfgsf/L ;:yfnfO ;dodfg lbgeO ;:yfaf^ kfKt xg hgn tyf klqsfx? kfKt ugxf; ;fy cfkmgf /s* cBfjlws ug sfddf ;xofu ugxf; .

7= ;b:otf / kzfut kdf)fkq gjLs/)f cBfjlws xg ;b:ox?sf gfdfjnL ;lxt ;b:o ;DaGwL hfgsf/Lx? ;:yfsf je;fO^df /flvPsf % .

8= **zNs ;DaGwL laa/)f**

ljj/)f	rf^* PspG^G^		/lhi^* cl*^/		
	FCA	CA	RAB	RAC	RAD
;b:otf	2,700.00	2,200.00	700.00	500.00	500.00
kzfut kdf)fkq	1,000.00	1,000.00	500.00	250.00	125.00
hDdf	3,700.00	3,200.00	1,200.00	750.00	625.00
kmd	500.00	500.00	200.00	200.00	200.00

;b:o ;jf ljefu
gkfn rf^* PspG^G^; ;:yf

Amendments by Finance Act, 2065

Few voluntary disclosure schemes declared by the Finance Act, 2065

1. Declaration of Rent Income (Section 24)

In case any person had income from house rent, but he has not paid income tax as per the Act during any income year 2064-65 and before, can declare his total income from house rent and pay 10% of the amount as tax.

2. Unpaid License fee by Brick Industries (S 26)

Brick industries in case pays its dues relating to the years up to Ashad 2065, on or within Paush end 2065, the remaining fines and penalty shall be waived, in case it furnishes the procedures as set by IRD.

3. Concession in License Fee to Brick Industries (S 27)

Those brick industries resulting emission level less than 50% of the emission standard specified by Environment Science and technology ministry, on recommendation from Environment Science and technology ministry, the license fee shall be charged at 50% of the rate applicable.

4. Exemption of tax, additional duty, interest and penalty, if register under VAT (Section 29):

If a person or an entity required to be registered for carrying out business as mentioned under sec 10 (2) of Value Added Tax Act 2052, get registered within the Poush end 2065, he will get exemption for VAT, additional fine, interest and penalty payable for the unregistered period.

5. Special provision on income tax, fee and interest of Cooperative firms and associations (section 30):

Any cooperative society or institute registered under Cooperative Act, 2048 but not exempted from income tax under section 11(2), submits tax return for FY 2063-64 on the basis of the financial statements duly audited from approved auditors and submitted to related government office within Poush end 2065 and pay the income tax for the year accordingly, such cooperatives will not be required to submit the tax returns for the earlier years and any tax, penalty, fee or interest payable for earlier years will be exempted.

6. Provision relating to tax of Educational Institutes (section 32):

The private educational institutions who have tax liability but not yet paid the same will get exemption for the fine, penalty and interest payable, if they pay the due tax liability as per the audited financial statements right from the inception of the institute till FY 2063-64 within Poush end 2065.

7. VAT related provisions for educational consultancy services (section 33):

Those organizations providing various educational consultancy services but have not yet come within the coverage of VAT will receive exemption of the VAT payable before the registration and penalty and interest payable on the same, in case such organization gets registration for VAT purpose within Poush end 2065.

8. Tax Payment by self assessment of income (Section 34):

a. If any person had earned income which is taxable as per Income Tax Act, 2058 or then prevailing Act from any source without paying income tax on it and has accumulated assets from the same till Asadh end 2065, such person may make self disclosure of market value of such assets prevailing as on Shrawan 1, 2065 and pay tax at 10% of such value within Magh end 2065.

Amendments in Value Added Tax Act, 2052 by Finance Act, 2065

1. Amendment in provision for bank guarantee (S 8ka)

a. The value addition for export of goods for availing bank guarantee against VAT payable for import of raw materials is reduced to 10% in place of 20% of previous provision.

b. The duty-free shop situated at TIA shall have to dispose off the stock of wines and cigarette by returning it to its own approved bonded warehouse or by selling these by charging prevailing taxes.

2. Color lab operating business is added in the list of those businesses which are required to be registered for VAT purpose under section 10(2).

Amendments in Income Tax Act, 2058 by Finance Act, 2065

Followings are the major amendments, additions and cancellations of the various provisions in Income Tax Act, 2058 made by Finance Act, 2065 (FA). The amended provisions shall be effective from 2065.06.03 for the financial year 2065-66.

1. Tax Concession to Special Industries and Information Technology Industries {S 11 (3)}

a) Tax concession is available to a person running a special industry or an information technology based industry, which provides direct employment to 500 or more Nepali citizens during the whole income year. The tax concession for this provision is 10% of the rate applicable to the person as prescribed in schedule 1 of the Act.

b) The different tax concessions available to special industries located at remote districts, undeveloped districts and underdeveloped districts are also made available to information technology based industries.

2. Amendments in Rates of TDS (S 88)

Few changes in rates of TDS to be deducted from various payments are made like in case of rent it is now 10%, dividend, payment of insurance claim, General Insurace Premium Payment, gain on securities transaction etc.

3. Amendments in deductions and rate of taxes (Schedule 1)

a) The additional tax of 1.5% is withdrawn for the year 2065-66.

b) Tax concession to female employee:
10% of the tax concession is given on the applicable tax amount to a female taxpayer having income from employment only.

c) The deduction for life insurance premium:
The deduction allowed for life insurance premium paid during the year by a natural person is increased to Rs. 20,000.

Newly elected President Mr. Tanka Prasad Paneru, FCA taking oath of office from the Chief Guest, Officiating Auditor General Mr. Bacchu Ram Dahal

Newly Elected President and Vice President Takes Oath of Offices

On July 18, 2008, newly elected President Mr. Tanka Prasad Paneru, FCA took oath of office from the Chief Guest, Officiating Auditor General Mr. Bacchu Ram Dahal as the 12th President of ICAN. Speaking on the occasion the outgoing President Mr. Ratna Raj Bajracharya gave a brief outline of the achievements of his tenure. After wishing his best to the newly elected President and Vice President, handed over the President medallion to the newly elected President. Mr. Tanka Prasad Paneru, FCA.

Delivering his acceptance speech, the newly elected President Mr. Tanka Prasad Paneru, FCA thanked all the Members and colleague of the fourth Council who have faith in him, and elected him to the President and along with the newly elected Vice President Mr. Suvod Kumar Karn, FCA pledged commitment for the continuity for the Institutional development. Similarly, the newly elected President administered the oath of office to the newly elected Vice President Mr. Suvod Kumar Karn, FCA.

Seminar on "Enhancing Professional Commitment: Code of Conduct and its Enforcement

To mark the Oath taking ceremony of the newly elected President and Vice President and National BPA Awards, 2007 Ceremony a seminar on the theme "Enhancing Professional Commitment: Code of Conduct and its Enforcement" was organised by the Institute on July 18, 2008 with a view to inform the general public and other stake holders about the professional ethics, a member of the Institute are required to observe and disciplinary mechanism instituted by such bodies to ensure full compliance of ethical requirements.

The seminar was divided into 4 sessions. The 1st session: Code of Conduct-Nepalese Perspective was presented by Mr. Komal Bahadur Chitracar, FCA, the session was chaired by Mr. Ratna Raj Bajracharya, FCA. The second session on the topics Code of Conduct and Disciplinary Mechanism – International Perspective was presented by Mr. T. Karthikeyan , Director, Council Affairs, Disciplinary and HRD of ICAI which was chaired by Mr. Tirth Raj Upadhyay, FCA, Past President of ICAN. The third session on the topic Professional Ethics: Business Expectation and Challenges was presented by Mr. Gyanendra Lal Pradhan Director, Butwal Power Company Ltd. and Mrs. Rakhee Singh, CFO Standard Chartered Bank Nepal Ltd, the session was chaired by Mr. Gopal Rajbahak, FCA, Past President .The last session on the topic Disciplinary Mechanism of ICAN was presented by Mr. Suvod Kumar Karn , FCA and the session was chaired by Mr. Prabhu Ram Bhandary, FCA Past President of ICAN.

Announcement of National Best Presented Account Awards

On the same function held on July 18, 2008 the Chief Guest, Officiating Auditor General Mr Bachhu Ram Dahal presented the National Best Presented Accounts (BPA) Awards 2007 to the Winners and Runner up. The evaluation for BPA Awards is as per the norms set by South Asian Federation of Accountants (SAFA), an apex body of SAARC. The award winning annual report will be nominated for SAFA BPA Award representing Nepal.

The winners of the National BPA Award 2007 are as follows:

Category 1: Banking Sector

Nabil Bank Ltd.	Winner
Standard Chartered Bank Nepal Ltd.	Runner Up

Category 2: Non Banking Financial Sector

(Financial Institution)

Nepal Merchant Banking and Finance Co. Ltd.	Winner
Ace Development Bank Ltd.	Runner Up

Category 3: Manufacturing Sector

Butwal Power Co. Ltd.	Winner

President Attends the SAARC Apex Body Conference & Meetings

President Mr. Tanka Prasad Paneru, FCA visited Colombo, Sri Lanka from 29th July to 3rd August 2008 to attend the Meeting of SAFA Committee for Improvement in Transparency, Accountability and Governance (iTAG) and BPA Conference and SAFA Committee on Quality Control. Mr. Paneru also attended the SAARC Apex Body Conference on the theme "Enterprise Governance & Social Responsibility" held on 30th July 2008. On that meeting charter has been signed on setting up a Confederation of SAARC Apex Bodies in Sri Lanka. It was also proposed to explore the possibility of extending this endeavour to the SAARC Apex Bodies in other member countries. On the occasion Mr. Paneru has privileged to meet the other delegates of the SAARC region professional bodies and discussed on the matters of current accounting issues as well as mutual recognition among the SAARC Countries.

Donation for Flood Victims

ICAN Council Members and Staffs donated NRs. 31,362 to the Prime Minister's Natural Disaster Relief Fund for Koshi Flood Victims. ICAN would like thank all the contributing members and staffs for their generous and humanitarian effort.

Students Exchange Program

Delegation of ICAN Students in Nagpur, India:

A delegation of six, ICAN Students participated in "21st All India CA Students' Conference" program held on 10th and 11th of July 2008 at Dr. Vasanta Rao Deshpande Sabhagriha, Nagpur, India organized by Board of Studies (BOS), the Institute of Chartered Accountants of India (ICAI) and hosted by Nagpur Branch of ICAI. The theme of the conference was "Discover your potentials". The ICAN students participated in the conference and had an opportunity to interact with the students from SAFA region.

During their stay, they visited Indo Rama Synthetic (India) Ltd Industry at Buddibori Nagpur, which is one of the biggest Polyester Fabric Producers in India. They also visited Go-Bigyan Anusandhan Kendra, a research institute involved in research of usage of Cow Urine. Further they had an opportunity of visiting local chartered accountants firm, Krishna Murari Agrawal & Co., and have an idea about their working systems. Apart from this, local sight seeing was also organized and they also paid visit to various historical and religious places at Nagpur.

Student's enrolment Status:

As a result of positive awareness about CA Education in the general public as well as among the students and the devoted effort of the staff, the enrolment of students in CA Education has been continuously growing day by day. The following is the enrollment status of students in different levels of CA Education.

Year	Level		
	Foundation	Intermediate	Final
99/00	98	-	-
00/01	112	56	-
01/02	68	74	-
02/03	195	99	7
03/04	360	109	20
04/05	361	123	21
05/06	185	152	21
06/07	672	147	47
07/08	897	213	58
08/09 (2 months)	48	70	25
Total	2,996	1043	199

Crash Course Classes Conducted

The Education Department has conducted crash course classes for Chartered Accountancy Professional-CAP II & III i.e. intermediate and final level students. The subjects of crash courses were corporate laws, taxation both direct and indirect and cost management. These revisionary classes were delivered by the eminent faculties of the subjects for the benefit of the students appearing in December 2008 examinations. These classes were conducted from 9th of September 2008 at the Institute's premises.

Present status of Members (as of Aswin 30, 2065)	
Fellow Chartered Accountant	173
Chartered Accountant	226
Total Chartered Accountant Members	399
Total Registered Auditors Members	7,289

COP status (as of Aswin 30, 2065)	
Chartered Accountants	369
Registered Auditors	
B Class	3092
C Class	1457
D Class	2152

Member Felicitated

Mr. Sher Bahadur Kunwar, RA member of the Institute was felicitated for being elected as the member of the constituent assembly from Accham District. Mr. Kunwar was felicitated by the outgoing President Mr. Ratna Raj Bajracharya, FCA on the occasion of the Oath taking ceremony of the newly elected President and Vice President and National BPA Awards 2007 Ceremony held on July 18, 2008.

CPE Training Conducted

One CPE Training was conducted by ICAN on 3rd & 4th of Ashoj 2065 at Hotel Shanker for the benefit of members who had not received the required training in the year 2064/65. About 60 members participated in the training.

During the year 2064/065 15 trainings inside Kathmandu and 22 trainings outside Kathmandu, has been conducted. Altogether more than five thousand members have received such training.

Training on Peer Review

With a view to enhance the quality of auditing and assurance services discharge by the members of the Institute, the Peer Review Board of ICAN has conducted a two day training program on Peer Review System on Bhadra 13th & 14th 2065 and Bhadra 20th & 21st 2065. Altogether around 250 members participated in the training.

Training on School Audit Guidelines

With the financial support from the ESAT/DANIDA and agreement with Department of Education (DoE) of the Government of Nepal, ICAN has prepared the guidelines on School Audit with a view to enhance the quality of services of the members on school audit. ICAN has conducted training in school audit guidelines in five regions of the country at the following places and dates. Altogether more than 250 registered auditor members participated in the training.

New Publication

The Institute has published the following publications for the benefit of the Members and students. The Publications are available at the Institute and also available in the ICAN website for download.

Code of Ethics Directives:

Directives no. 1 : Publishing and Advertising Related and

Directives no. 2 : Soliciting Business, Accepting New Engagement, Fees and Commission

Code of Ethics Brochure

STAFF NEWS

Mr. Nanda Kishore Sharma has resigned from the post of Executive Director with effect from Shrawan 1, 2065. He has served the Institute since one and half years and contributed lot to shape the Institute's administration and other areas.

Similarly, Mr. Purushottam Sharma and Mr. Rajendra Lamichhane have resigned from the post of Officer and Assistant respectively with effect from 1st of Ashoj 2065 & 27th Bhadra 2065. Mr. Sharma & Mr. Lamichhane served in the Institute for more than two years.

Accounting Standards and Auditing Standards Board News

The following Nepal Accounting Standards has been approved by the Institute of Chartered Accountants of Nepal for mandatory compliance effective from Shrawan 1, 2065.

1. Impairment of Assets(NAS:18
2. Investment Property (NAS:19),and
3. Non-Current Assets Held for Sale and Discontinued Operation (NAS:20)

New Appointment

Mr. Lok Man Maskey has been appointed as Chief Executive CUM Secretary of the Accounting Standards Board and Auditing Standards Board with effective from Shrawan 1, 2065

Obituary

ICAN expresses a heart felt condolence on the sad demise of Mr. Bhim Bahadur Rijal, father of Council Member Mr. Bharat Rijal, FCA.

Similarly, ICAN expresses a heart felt condolence on the sad demise of Mr. Parashu Ram Adhikari, father of Acting Executive Director Mr. Paramananda Adhikari, FCA.

We pray to the Almighty God to rest the soul of Mr. Bhim Bahadur Rijal & Mr. Parashu Ram Adhikari, in eternal peace.

International News

IFAC Examines Developments in Public Sector Performance Measurement Structures

(New York/November 6, 2008) - As part of its mission to serve all professional accountants in business, including those working in the public sector, IFAC's Professional Accountants in Business (PAIB) Committee has conducted a survey to obtain information about the development of financial and non-financial performance measurement and reporting structures in various public sector entities around the world.

The results of this survey, contained in the information paper *Developments in Performance Measurement Structures* in Public Sector Entities, will help professional accountants in business, and others who work in the public sector, in evaluating and further improving their own financial and non-financial performance measurement structures. This will enable them to better plan, execute and control their organization's service delivery and to achieve a higher level of accountability. The results will also help IFAC's PAIB Committee to consider specific public sector aspects when developing International Good Practice Guidance for professional accountants in business.

The survey received 250 responses from public sector organizations at all levels of government and in a variety of sectors, including local councils, public utilities and various ministries from countries all over the world. The survey results clearly demonstrate that respondents are much more satisfied with the performance measurement structures in the public sector entities for which they completed this survey, if these structures possess the following, more advanced elements:

- A balanced combination of relevant financial and non-financial objectives, supported by specific measurement indicators (financial and non-financial KPIs);
- Accrual accounting for the budgeting, the (legislative) appropriation and the financial reporting processes;
- Capability for capturing, processing and reporting useful information on both financial and non-financial developments;
- Independent external review of the figures to report on financial and non-financial performance;
- A formal structure for measuring and assessing risk, and developing strategies to control it; and
- A regular review to ensure that the performance measurement structure remains effective and efficient.

Robert Bunting Assumes Presidency of IFAC; Council Names Göran Tidström Deputy President

(Rome and New York /November 14, 2008) - Leaders of over 100 accountancy organizations worldwide met in Rome on November 11-14 to participate in the International Federation of Accountants' (IFAC) Board and Council meetings, where they addressed the global financial crisis, convergence to global auditing and ethics standards, and the profession's role in sustainable development. At the conclusion of the meeting, President Robert Bunting of the United States assumed the IFAC Presidency for a two-year term ending in November 2010. Göran Tidström of Sweden assumed the position of Deputy President. In addition, the Council approved the appointment of three new members to the IFAC Board and the reappointment of four members to a second term.*

Newly elected IFAC President Robert Bunting, a past Chairman of the American Institute of Certified Public Accountants and an IFAC Board member since 2005, commented on the global financial crisis, pointing out "The financial crisis has clearly demonstrated how interconnected global markets are. This makes IFAC's initiatives to achieve convergence of international standards ever more urgent. Convergence to a common set of high quality accounting and auditing standards is essential to assuring the quality of the profession's services and is vital to the effective operations of markets and to promoting cross-border trade and investment."

"I believe that IFAC has a key role to play in restoring confidence in the markets," emphasizes Mr. Bunting. "We must demonstrate that our standard-setting processes are rigorous. And we must continue to promote strong corporate governance and the highest quality practices by the world's accountants, whether they work in public practice or in business and industry. Additionally, we need to scrutinize ourselves and look at what we can do better or differently. And lastly, we must be even more engaged with all market participants and actively collaborate with them in identifying and implementing the solutions that can prevent future crises."

Supporting these goals, the IFAC Council approved an updated Strategic Plan for 2009-2012. This plan has an increased focus on the implementation of international standards, on enhancing the relevance and sustainability of the profession, and on communicating more vigorously on regulatory, financial management, financial reporting, corporate governance, and other issues.

"Another area of focus in the strategy and one to which I plan to give my attention is meeting the needs of small and medium practices (SMPs) and enterprises (SMEs)," adds Mr. Bunting. "The SMP/SME community did not cause the current financial crisis, but they will be very much affected by it. We must do what we can, including ensuring that they are not subject to overly burdensome regulatory requirements, to contribute to their health and effectiveness."

The IFAC Strategic Plan for 2009-2012 is available on the IFAC website.

IFAC is the worldwide organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is currently comprised of approximately 158 professional accountancy bodies in 122 countries, representing more than 2.5 million accountants in public practice, education, government service, industry and commerce. IFAC, through its independent standard-setting boards, sets international standards of ethics, auditing and assurance, education, and public sector accounting. It also issues guidance to encourage high quality performance by professional accountants in business.

Robert L. Bunting
President, IFAC

Bob Bunting became President of the International Federation of Accountants (IFAC) in November 2008. Prior to this, he served as Deputy President of IFAC from November 2006 to November 2008 and as a member of the IFAC Board since November 2005. As Deputy President, Mr. Bunting served as Chairman of IFAC's Planning and Finance Committee, where he led the organization in the development of its operational and strategic plan for 2009-2012. Mr. Bunting is a Partner at Moss Adams LLP where he served as Chairman and Chief Executive Officer from 1982 to 2004. Moss Adams LLP is a member of Praxity (formerly Moores Rowland International) where Mr. Bunting served as Chair from 1998 to 2004.

From 2004 to 2005, Mr. Bunting was Chairman of the Board of Directors of the American Institute of Certified Public Accountants (AICPA). He previously served as a member of the AICPA Board of Directors and has also served several AICPA committees, including the Audit Committee, Board of Examiners, and SEC Practice Section Executive Committee at various capacities.

ICAN GRANTED WITH FULL MEMBERSHIP OF IFAC

Mr. Tanka Prasad Paneru, President, ICAN receiving Certificate of Membership of IFAC from Mr. Fermin Del Valle, President, IFAC

During the IFAC Council Meeting held on November 13, 2008 at Rome, Italy,the Institute of Chartered Accountants (ICAN) has been granted full membership of International Federation of Accountants (IFAC). On the occasion, Mr. Fermin Del Valle, President IFAC handed over the certification of full membership of IFAC to Mr, Tanka Prasad Paneru, FCA, President of ICAN. ICAN was admitted as associate member by IFAC in 2003.

IFAC is the global organization for the accountancy profession. It works with its member countries and jurisdictions to protect the public interest by encouraging high quality practices by the world's accountants. IFAC members and associates, which are primarily national professional accountancy bodies, represent 2.5 million accountants employed in public practice, industry and commerce, government, and academia

Through its independent standard-setting boards, IFAC develops international standards on ethics, auditing and assurance, education, and public sector accounting standards. It also issues guidance to support professional accountants in business, small and medium practices, and developing nations.

IFAC's role is threefold- firstly to establish and promote adherence to high quality international standards, then to facilitate collaboration and cooperation with member bodies, and to serve as spokesperson for the international profession on relevant public policy issues. It has long recognized that a fundamental way to protect the public interest is to develop, promote, and enforce internationally recognized standards as a means of ensuring the credibility of information upon which investors and other stakeholders depend. IFAC's boards set the following standards:

- International Standards on Auditing, Assurance Engagements and Related Services
- International Standards on Quality Control
- International Code of Ethics
- International Education Standards
- International Public Sector Accounting Standards

In addition, IFAC develops benchmark guidance and promotes the sharing of resources to serve professional accountants in business. It has also established groups to address issues pertaining to small and medium practices and enterprises and developing nations, all of which play a critical role in the global economy.

With the grant of full membership of IFAC, ICAN's role in development and regulation of accounting profession is recognized. This also adds responsibility on the shoulders of ICAN as to ensure compliance of international standards set by IFAC.

ICAN expresses a heartiest thanks and appreciation to IFAC, and Institute of Chartered Accountants of India for seconding ICAN's membership. ICAN also expresses its gratitude to South Asian Federation of Accountants (SAFA), Confederation of Asia and Pacific Accountants (CAPA) and the Council Members, Past Presidents, Members of ICAN and regulatory authorities for their support in this endeavor towards securing full membership of IFAC.


Nebico
Thin Arrowroot
Nice
Digestive
250g
Trekker's Choice
HIGH Fibre
WHOLESOME BISCUITS
with Peanuts and Sesame
COCONUT CRUNCHEES
४५ वर्षदेखिको मिठास, आज पनि हाम्रो साथ