

## **The Audit Act, 2075(2019)**

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### **Act No. 36 of 2075 (2019)**

#### **An Act Made to Provide for Audit**

##### **Preamble:**

Whereas, it is expedient to make timely the law relating to audit;

Now, therefore, be it enacted by the Federal Parliament.

**1. Short title and commencement:** (1) This Act may be cited as the "Audit Act, 2075 (2019)."

(2) This Act shall come into force at once.

**2. Definitions:** Unless the subject or the context otherwise requires, in this Act,-

(a) "Prescribed" or "as prescribed" means prescribed or as prescribed in the rules framed under this Act.

(b) "Corporate body wholly owned by the Government of Nepal, Provincial Government or Local Level" means a corporate body of which all shares or assets are owned by the Government of Nepal, Provincial Government or Local Level or a corporate body of

which all shares or assets are owned by the aforesaid corporate body or by such a corporate body and the Government of Nepal, Provincial Government or Local Level, and this term also includes a corporate body for which the Government of Nepal, Provincial Government or Local Level is required to bear full responsibility.

- (c) "Accounts" means any records, ledgers, books or other papers to be maintained under the prevailing law, showing the statements of financial transactions, and this term also includes any records maintained through electronic means or electronic records substantiating such transactions.
- (d) "Audit" means examination of the accounts and accounts related to the business of the bodies referred to in Section 3 and the analysis and evaluation to be made on the basis thereof, and this term also includes an act of follow-up audit.
- (e) "Accounts related documents" means such documents as may be required to perform the audit of the bodies referred to in sub-section (1) of Section 3, and this term also includes strategies, annual or periodic plans, plans of action, decisions, agreement or understandings, progress reports, monitoring and evaluation reports of such bodies and such other documents or statements, data or information stored

in the electronic system as may be related to the act of audit.

- (f) "Corporate body" means a corporate body of which more than fifty percent of the shares or assets are owned by the Government of Nepal, Provincial Government or Local Level, and this term also includes a body of which more than fifty percent of the shares or assets are owned by the corporate body.
- (g) "Government Office" means any government office at the federal, provincial and local levels, including the Office of the President, Office of the Vice-President, Supreme Court, Federal Parliament, Provincial Assembly, Provincial Government, Office of the Chief of Province, Constitutional Body or Office thereof, court, Office of the Attorney General, Nepal Army, Nepal Police and Armed Police Force, Nepal.

**3. Bodies to be audited by the Auditor General:** (1) Audit of the following bodies shall be performed by the Auditor General:

- (a) Government Offices,
- (b) Corporate bodies wholly owned by the Government of Nepal, Provincial Government or Local Level,
- (c) Bodies or institutions the audit of which is so specified by the Federal law as to be performed by the Auditor General.

(2) The responsible officials of the bodies referred to in sub-section (1) shall furnish accounts of incomes and expenditures and financial statements in accordance with the prevailing law and have the final audit thereof performed by the Auditor General.

4. **Methods of audit:** The Auditor General may, upon specifying the method, scope and period of audit, perform the final audit of the financial transactions and other activities related thereto of any office referred to in sub-section (1) of Section 3 or having selected any unit thereunder of which audit is to be performed by him or her either in detail one by one or randomly or sporadically and specify the facts obtained therefrom, make analysis thereof and comments thereon and may issue reports, along with his or her opinion as required on the financial statements.
5. **Audit of financial and various matters:** (1) The Auditor General may, on the selective basis, perform audit of various matters such as information technology, functioning, gender, forensic, environment, of the bodies referred to in sub-section (1) of Section 3, of which audit is to be performed, in addition to their financial audit, having regard to, *inter alia*, the regularity, economy, efficiency, effectiveness and the propriety thereof.

(2) The mode, method, scope, period, matters of examination and reporting of the audit of various matters to be performed pursuant to sub-section (1) shall be as specified by the Auditor General.

6. **Timely audit:** (1) The Auditor General may, on the selective basis, perform timely audit of the bodies referred to in sub-

section (1) of Section 3 before the completion of the fiscal year or after the completion of transactions.

(2) The mode, method, scope, period, matters of examination and reporting of the audit to be performed pursuant to sub-section (1) shall be as specified by the Auditor General.

(3) The Auditor General shall forward the report prepared pursuant to sub-section (2) to the concerned body and make it public.

- 7. Audit of grant and aid:** (1) The Auditor General may audit any aid and grant amount receivable by the Government of Nepal, Provincial Government or Local Level under the Federal law and any aid or grant amount to be provided by the Government of Nepal, Provincial Government or Local Level.

(2) The mode, method, scope, period, matters of examination and reports thereof shall be as specified by the Auditor General.

- 8. Matters to be audited:** The Auditor General shall, upon having regard, *inter alia*, to the regularity, economy, efficiency, effectiveness and propriety, audit the following matters, as required:

- (a) Whether or not the amounts appropriated in the concerned heads and sub-heads by the Appropriation Act and other Acts for services and activities have been expended for the specified purposes of such specified services or activities within the limit of the same heads and sub-heads,

- (b) Whether or not the accounts have been maintained in the prescribed forms and reporting has been made within the specified time,
- (c) Whether or not any Constitutional Body, Ministry, Department and central level office equivalent thereto and a Provincial Ministry and Province level other office have maintained central accounting of all financial transactions including appropriation, revenues and deposits of their respective subordinate offices and prepared central statements, and if so prepared, whether or not such statements truly reflect the financial transactions,
- (d) Whether or not the accounting of the Federal Consolidated Fund, Provincial Consolidated Fund, Local Consolidated Fund, Federal Contingent Fund, Provincial Contingent Fund and other governmental fund has become realistic,
- (e) Whether or not the concerned governmental body has sanctioned budget in time,
- (f) Whether or not financial statements truly and correctly reflect the financial transaction of the period mentioned therein,
- (g) Whether or not the evidence relating to items of income or expenditure are sufficient,
- (h) Whether or not physical progress has been made according to the accounting or reporting,

- (i) Whether or not approval of the authority competent to make expenditure has been obtained,
- (k) Whether or not the liability created has been paid in time,
- (l) Whether or not the available resources, means and assets including cash and in-kind have been properly utilized,
- (m) Whether or not records of government properties have been maintained in accordance with the prevailing law,
- (n) Whether or not proper protection and maintenance of governmental properties has been made in such a way to prevent loss and damage thereto,
- (o) Whether or not the arrangement for maintaining accounts of governmental debts and investment, the principal, interest and dividends to be received therefrom or to be owed or paid thereon and paid up is adequate, or accounting has been made accordingly and the accounts maintained have been accurate,
- (p) Whether or not adequate legal provisions have been made to prevent misuse in making expenditure, the related provision for regulation and control is adequate and these matters have been complied with,

- (q) Whether or not effective provisions of internal control system have been made, and such provisions have been followed,
- (r) Whether or not internal audit has been performed in a satisfactory manner, and if so performed, the report has been implemented,
- (s) Whether or not the amounts to be credited to revenue and government funds have been determined, recovered, credited and accounted for in accordance with law, and effort has been made to control revenue leakage,
- (t) Whether or not the prevailing law on deposit is adequate and it has been complied with,
- (u) Whether or not the accounts of income and expenditure of industrial and business services, and their balance of cash and kind, and the provisions relating to their financial transactions and law related thereto are adequate, and if so, they have been complied with,
- (v) Whether or not the organization, management and allocation of business of the office are sufficient and proper, and the office has been operated and managed accordingly,
- (w) Whether or not any function is being unnecessarily performed in duplication by various employees or agencies or any function required to be performed is



being omitted or there has been effective provision in place for performing or causing to be performed the office business in the specified time,

- (x) Whether or not the grounds for specifying the achievements of the organization and program are clear, progress has been made within the specified time according to the program and the quality and quantity of the business conform to the standards,
- (y) Whether or not the objective and policy of the Office is explicit, and the plan, budget and program have been formulated in conformity with the specified objective and policy, and implementation has been made accordingly,
- (z) Whether or not the program has been implemented within the limits of approved cost estimate, expenditure has been made in a proper manner by making analysis of cost and achievement in making expenditure and the returns have been achieved in comparison to the cost,
- (aa) Whether or not the provisions for maintaining records of target, progress and cost are adequate and reliable,
- (bb) Whether or not monitoring has been made in consonance with the requirement of monitoring under the prevailing law, and the monitoring report has been implemented,

- (cc) Whether or not effort has been made to make the financial transactions, records and reporting provision information technologybased,
- (dd) Whether or not the utilization and mobilization of the revenue, grant and royalty distributed between the Government of Nepal, Provincial Government and Local Level in accordance with the prevailing law have been effective,
- (ee) Whether or not reimbursements have been taken in time,
- (ff) Whether or not the records of irregular amounts and settlement thereof have been updated and effort has been made to settle irregularities.

**9. Matters to be audited by the Auditor General in view of propriety:** (1) The Auditor General shall, as required, audit the following matters in view of the propriety thereof:

- (a) If it is seen that any expenditure, though it confirms to the authorization, has been made unreasonably or in a manner to cause loss and damage to the national property, with respect to such expenditure and its authorization,
- (b) With respect to any grant of national property whether movable or immovable or underwriting of revenue or any lease, permit, license or rights relating to mining, forest, hydropower etc. and all authorizations issued in a manner to abandon any

revenue or national property, whether movable or immovable,

- (c) With respect to the subject-matters of various financial transactions including contracts and agreements relating to public works, repair and maintenance, procurement and supply, consultancy service, service delivery, public expenditure and revenue mobilization.

(2) The Auditor General may, if he or she deems it appropriate, examine, in accordance with the recognized principles of accounting, as to whether or not any official within his or her scope of competence has borne financial accountability.

(3) The Auditor General may not include in his or her report minor items of irregular amounts or other items deemed not to be significant and important in view of their propriety.

**10. Audit of corporate bodies wholly owned by the Government of Nepal, Provincial Government or Local Level:**

(1) Notwithstanding anything contained in clause (b) of sub-section (1) of Section 3, the Auditor General may, as required, appoint auditors who have obtained license under the prevailing law as assistants for the performance of the audit of the corporate bodies wholly owned by the Government of Nepal, Provincial Government or Local Level.

(2) The auditors appointed pursuant to sub-section (1) shall act under the direction, control and supervision of the Auditor General.

(3) The functions, duties and powers, conditions of service, obligations of the auditors appointed pursuant to sub-section (2), the procedures to be followed by them in the performing of audit and provisions relating to the reporting shall be governed by this Act in relation to the matters set forth herein and as specified by the Auditor General in relation to the matters not set forth in this Act.

(4) The remuneration to be paid by the concerned body to the auditor appointed pursuant to sub-section (1) shall be as specified by the Auditor General, having regard to, inter alia, the volume of financial transactions, status of accounts, number of branches and sub-branches, work load and work progress of such a body.

**11. Audit of corporate bodies:** (1) A corporate body may appoint an auditor and have its accounts audited by the auditor subject to the principles specified by the Auditor General.

(2) In appointing an auditor pursuant to sub-section (1), the corporate body shall consult the Auditor General.

(3) The concerned corporate body shall forward a copy of the report presented by the auditor appointed pursuant to sub-section (1) to the Office of the Auditor General, as well.

(4) If, from the report received pursuant to sub-section (3), there appears any error in the accounts of such a corporate body, the Auditor General may give necessary directives to the concerned corporate body and the auditor in respect of such error, and it shall be the duty of the concerned body and auditor to abide by such directives.

(5) The concerned corporate body shall submit progress details of implementation, within the specified period by the Auditor General in respect of the matters indicated by the report received pursuant to sub-section (3) and the directives given pursuant to sub-section (4).

**12. Power of the Auditor General to examine or require submission of documents:** (1) The Auditor General may, at any time, require the responsible official of any body referred to in sub-section (1) of Section 3 to submit any documents related to accounts and obtain related information from the concerned official.

(2) The Auditor General may, if he or she thinks it necessary, do as follows:

- (a) To examine, at any time, the status of and any documents related to the accounts of any program and project operated with a grant from the Government of Nepal, Provincial Government or Local Level,
- (b) To require any construction entrepreneur who has obtain contract of any government work, supplier, or any institution or also a person taking charge of such a body to submit any documents related to such a contract, supply or other government work, and such additional evidence, document may be related to the basis followed for the purpose of assessment of revenue, in the course of revenue audit.

(c) To require the submission of any document related to the operation of business of any body partially owned by the Government of Nepal, Provincial Government or Local Level, and of any national or international non-governmental organization.

(3) The Auditor General shall have access to any information technology related to the system adopted by any body referred to in sub-section (1) of Section 3 for carrying on transactions, maintaining accounts, managing records or disseminating information.

**13. Power to collect fees:** (1) The Auditor General may collect from any corporate body wholly owned by the Government of Nepal, Provincial Government or Local Level such fees as prescribed for having audited such a body.

(2) The fees collected pursuant to sub-section (1) shall be credited into the Federal Consolidated Fund.

**14. Review of audit:** (1) The Auditor General may provide for periodic quality assurance review or peer professional review in order to ensure the quality of audits performed pursuant to this Act.

(2) No review of audit, other than the review to be made pursuant to sub-section (1) may be made by any person or body.

**15. Power to obtain expert service:** (1) The Auditor General may obtain the service of any expert in the concerned field for the functions to be performed by him or her.

(2) The Auditor General may request for the deputation of any expert or official serving in any body of the Government of Nepal, Provincial Government or Local Level for assistance in any function to be performed by him or her.

(3) If a request is received pursuant to sub-section (2), the concerned body shall depute such an expert or official in the function specified by the Auditor General.

(4) Such remuneration or facility as may be specified by the Auditor General shall be provided to one who provides expert service pursuant to sub-section (1) or to the expert or official deputed pursuant to sub-section (3).

- 16. Not to be liable for any act done in good faith:** No employee of the Office of the Auditor General shall be personally liable for any damage or any other kind of error that has resulted from any act of audit performed in good faith in the course of the discharge of duties in accordance with the standards, policies, directions, directives and audit plan issued by the Auditor General pursuant to this Act for the purpose of making the audit systematic
- 17. To maintain records through electronic means:**The Auditor General may maintain through electronic means the records of audit files, working papers and other documents of the body to be audited by him or her.
- 18. Office of the Auditor General:**(1) The Auditor General may as required establish offices in the Federation and Province for the functions to be performed by himself or herself.

(2) The employees deputed in the offices established pursuant to sub-section (1) shall function as per the direction by the Auditor General.

(3) The organization structure and positions of employees of the Office of the Auditor General shall be as approved by the Government of Nepal, on recommendation of the Auditor General.

**19. Annual Report:**(1) The following matters shall be set out in the annual report to be submitted by the Auditor General to the President pursuant to Article 294 of the Constitution:

- (a) Details of the functions performed by the Auditor General throughout the year,
- (b) Summary of the main contents found from audit,
- (c) Status of implementation of the audit reports and reforms to be made in the future,
- (d) Other necessary matters.

(2) The Auditor General may issue audit reports, along with the opinion, after completion of audits of the bodies referred to in sub-section (1) of Section (3).

(3) The Auditor General may, in addition to the matters referred to in sub-section (2), also issue functional. information technology, forensic, gender, environmental and timely audit reports of the bodies referred to in sub-section (1) of Section (3).



(4) The Auditor General may prepare individual annual report as to the functions of each Province and submit it to the Chief of the concerned Province.

(5) The report submitted pursuant to sub-section (4) shall be submitted to the Provincial Assembly through the Chief Minister.

(6) The Auditor General may, if it appears that a significant loss and damage has been caused to any movable or immovable national property or such a loss and damage may occur if immediate action is not taken, audit at any time such transactions and submit a report to the President or Chief of the Province, as the case may be.

(7) The report submitted by the Auditor General pursuant to this Section shall be made public.

**20. Audit of Local Level:** (1) Each Rural Municipality or Municipality shall have its accounts audited by the Auditor General.

(2) The Auditor General may, after completion of the audit of each Rural Municipality or Municipality, issue individual audit reports.

(3) The concerned Rural Municipality or Municipality shall submit the report issued by the Auditor General pursuant to sub-section (2) to, and have it discussed at, the Village Assembly or Municipal Assembly in accordance with the prevailing law of the Local Level.

**21. Implementation of the audit report:** (1) It shall be the duty of the concerned responsible official to implement the audit report issued by the Auditor General pursuant to this Act.

(2) The Auditor General may, in order to ensure whether the matters set forth in the report issued pursuant to this Act have been improved and the suggestions have been implemented, do acts including to obtain report of activities carried out by, explanation from the audited body, specify the period for implementation, make re-examination and give necessary direction on the matter to the concerned body.

**22. To take action on irregularities:** The concerned body shall take action, in accordance with the law, on the errors and irregularities found in the performance of audit of income-expenditure and other amounts, moneys of the Government of Nepal, Provincial Government or Local Level, as the case may be.

**23. Format of accounts:**(1) The accounts of the government office shall be maintained in the format approved by the Auditor General.

(2) It shall be the duty of the Office of Comptroller General to get the format referred to in sub-section (1) approved, and enforce, or cause to be enforced it.

**24. Power of the Auditor General to give direction:** (1) The Auditor General may, subject to the Constitution and this Act, give direction to the concerned body, from time to time, to make arrangements on matters of accounts or maintain regularity therein.

(2) The Auditor General may, subject to the Constitution and this Act, give direction to the concerned regulatory body, from time to time, as to audit related matters.

(3) The Auditor General may, from time to time, give direction to the auditors appointed under this Act to perform audit of the government offices and corporate bodies as to the matters to be audited, matters to be included in the report and matters set forth in the report.

(4) It shall be the duty of such office and concerned official to abide by the direction given by the Auditor General pursuant to this Section.

**25. Power to write for action:** (1) The Auditor General may write to the concerned body to take action under the prevailing law, including departmental action against the official or person entrusted with the responsibility of the concerned business who does not get the accounts to be audited pursuant to this Act, who does not make available the financial statements and accounts to the auditor appointed pursuant to Sections 10 and 11, who does not submit the accounts related documents pursuant to Section 12, who does not give relevant information, who does not maintain accounts in the format referred to in Section 23, who causes obstruction to the audit related function and who violates this Act or the Rules framed under this Act.

(2) If a correspondence is received pursuant to subsection (1), the concerned body shall, without delay, take action against the official or person and give information thereof to the Office of the Auditor General.

**26. Power to give reward:** (1) The Auditor General may give reward as prescribed to the employee who has performed an excellent job, selected from amongst the employees serving for the Federal and Provincial Offices of the Auditor General.

(2) For the purposes of sub-section (1), the procedures for selecting the employee who has performed the excellent job shall be as specified by the Auditor General.

**27. Power to delegate authority:** The Auditor General may delegate the power to perform any function, out of the functions to be performed by him or her under this Act, to any official of his or her office.

**28. Power to frame rules:** The Auditor General may, in consultation with the Government of Nepal, frame necessary rules for the implementation of this Act, and such rules shall come into force from the date of publication in the Nepal Gazette

**29. Power to issue standards or directives:** The Auditor General may, subject to this Act and the rules framed under this Act, make and enforce auditing standards or directives based on international auditing standards and prevailing good practices in order to enhance the quality of audit by making auditing objective, reliable and valid.

**30. Repeal and saving:** (1) The Audit Act, 2048(1992) is hereby repealed.

(2) Any acts done and actions taken under the Audit Act, 2048 (1992) shall be deemed to have been done and taken under this Act.

(3) Accounts remaining to be audited under the Audit Act, 2048 (1992) at the time of commencement of this Act shall be audited according to this Act.