

AUDIT ACT, 2048 (1991)

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1. The Act Amending Some Nepal laws, 2063

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Act No. 16 of 1991

AN ACT TO PROVIDE FOR AUDIT

Preamble : Whereas it is expedient to make necessary provisions on Audit,

Now, therefore, on the twentieth year of the reign of His Majesty King Birendra Bir Bikram Shah Dev, the Parliament has enacted this Act.

1. **Short Title and Commencement** : (1) This Act may be called "Audit Act 2048 (1991)"

(2) This Act shall come into force immediately.

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

(a) "Government Office" means all government office and courts, including the Supreme Court, Parliament, commission for investigation of Abuse of Authority Auditor General Public Service Commission and Offices of other constitutional bodies, and Nepal Army and Nepal Police.

(b) "Accounts" means the records, ledgers books etc. maintained under prevailing laws showing particulars of transactions, and other documents substantiating such transactions.

- (c) "Audit" means examination of the accounts and the analysis and evaluation made on the basis thereof.
- (d) "Corporate body wholly owned by government of Nepal" means a corporate body whose all shares or assets are owned by Government of Nepal, or a corporate body whose all shares or assets are owned by the aforesaid corporate body or by such corporate body and Government of Nepal and this expression shall also include such corporate body for whom Government of Nepal is required to bear full responsibility.
- (e) "Corporate body substantially owned by government of Nepal" means a corporate body whose more than fifty-percent shares or assets are owned by Government of Nepal.

3. **Methods of Audit** : (1) The Auditor General may conduct final audit of the financial activities and other activities relating thereto of the offices, bodies or organizations under its jurisdiction, either in detail or sporadically or a random basis and present the facts obtained therefrom, make critical comments thereon and submit its reports.

(2) The Auditor General may, if it deems necessary in course of audit exercise the following powers -

- (a) To check at any time the status of the program and project being operated under the grants obtained by Government of Nepal and examine documents relating to accounts;
- (b) To require contractors of government contracts to produce relevant documents or other evidence relating to the contract, which are supposed to be in his/her possession;

- (c) To hire services of any expert on the task of audit and, if necessary, engage someone under contract with reasonable remuneration.

4. **Matters to be audited** : The Auditor General, with due regard to the regularity, economy, efficiency, effectiveness and propriety, shall audit following matters to ascertain whether:

- (a) the amount appropriated in the concerned heads and sub-heads by the Appropriation Act for respective services and activities have been expended for the specified purposes of designated services or activities within the approved limit;
- (b) the financial transactions comply with the existing laws and the evidence relating to items of income and expenditure are sufficient;
- (c) the accounts have been maintained in the prescribed forms and such accounts fairly represent the position of the transactions;
- (d) the inventory of government assets is accurate and up to date and the arrangement for protection and management of governmental property is adequate;
- (e) the arrangements for internal audit and internal control of cash, kind and other governmental property against any loss, damage and abuse are adequate and if so, are they pursued;
- (f) the accounts of revenue, all other incomes and deposits are correct and the rules relating to evaluation, realization

and methods of book keeping are adequate and if so, are they followed;

- (g) the accounts relating to public debts, security, deposit, debt relief fund and the amounts set aside for debt services and repayment of debts are accurate;
- (h) The accounts of income and expenditure of industrial and business services, and their balance of cash and kind, and the arrangements and rules relating to their financial transactions are adequate and if so, are they observed;
- (i) The organization, management and job allocation of the office are sufficient and proper and are that operating accordingly;
- (j) Any function is being unnecessarily performed in duplication by any employee or agency or any essential function is being omitted;
- (k) The available resources, means and assets are properly utilized and the maintenance and perspiration thereof against any loss or damage has been properly arranged;
- (l) The progress has been achieved within scheduled time and the quality and quantity of the work is satisfactory;
- (m) The objective and policy of the Office is explicit and the program is delineated conforming to the specified objective and policy;
- (n) The program is being implemented within the limits of approved cost estimate and the proceeds received in comparison to the cost is reasonable;

- (o) The arrangements for maintaining data relating to target, progress and cost are adequate and reliable;

5. **Matters to be audited in View of Propriety** : (1) The Auditor General shall audit following matters considering the propriety thereof-

- (a) On the propriety of any expenditure and its authorization, if in the opinion of the Auditor General such expenditure is a reckless one or is an abuse of national property, whether movable or immovable, despite that the expenditure conforms to the authorization, and
- (b) On the propriety of all authorizations issued in respect of any grant of national property whether movable or immovable, fixed or current, or underwriting of any revenue, or any contract, license or permits relating to mining, forest, water resources, etc. and any other act of abandoning movable or immovable, assets of the nation.

(2) The Auditor General may not include in the report minor items of discrepancy and other items deemed as insignificant in view of their property which were observed during the audit of income and expenditure.

6. **Audit of Corporate Bodies Wholly Owned by Government of Nepal** :

(1) Notwithstanding anything contained in the existing laws, the audit of the corporate bodies wholly owned by Government of Nepal shall be audited by the Auditor General pursuant to this Act.

(2) If the Auditor General is constrained by time and resources to audit the corporate bodies wholly owned by Government of Nepal pursuant to Sub-section (1) he/she may appoint license holder auditors under the prevailing laws an assistant. While appointing auditor as such, he/she shall give priority to the Nepali citizen.

(3) The auditor appointed pursuant to Sub-section (2) shall act under the direction, supervision and control of the Auditor General.

(4) The powers, functions, duties and responsibilities of the auditors appointed pursuant to Sub-section (2) and the procedures to be followed by them in course audit and provisions relating to their report shall be as prescribed by the Auditor General.

(5) The remuneration to be paid by the concerned organisation to the auditors appointed pursuant to Sub-section (2) shall be fixed by the Auditor General keeping in view the volume of financial transactions, status of accounts, number of branches and sub-branches, work load and work progress of the concerned organization.

7. Audit of Corporate Bodies Substantially Owned by Government of

Nepal : (1) The audit of the corporate bodies substantially owned by Government of Nepal shall be done in accordance with the prevailing laws relating to such body.

(2) Notwithstanding anything contained in Sub-section (1), the Auditor General shall be consulted while appointing an auditor for auditing of the corporate bodies substantially owned by Government of Nepal.

(3) The procedures to be followed while consulting the Auditor General for appointing auditors pursuant to Sub-section (2) and on matters to principles of audit to be followed by the auditors during their audit shall be as prescribed by the Auditor General.

(4) The concerned organization shall deliver at the Office of the Auditor General a copy of the report submitted by the auditor appointed in consultation with the Auditor General pursuant to Sub-section (2).

(5) The Auditor General may issue directives to the concerned organization in respect of the irregularities observed in the report received

pursuant to Sub-section (4) and it shall be the duty of concerned organization to abide by such directives.

- *8. **Annual Report of the Auditor General** : The Auditor General shall submit its annual audit report, including his/her comments and opinions thereon, to president on the final audit of Government Offices and other offices and organization prescribed by prevailing laws, which are subject to audit by the Auditor General.

Provided that the Auditor General may submit a report if he deems necessary at any time to take immediate action against any loss or damage already happened or impending upon to the national assets.

(3) president shall forward the Report received pursuant to Sub-section (1) to the legislative -parliament .

9. **Recruitment of Officers and Employees and Condition of Services** :

(1) There shall be officers and employees as approved from time to time by Government of Nepal in order to assist the Auditor General in the performance of his/her duties. The number of such employees shall not be reduced without the approval of the Auditor General.

(2) A separate cadre of officers and employees in the Office of the Auditor General shall be constituted. The recruitment and other conditions of services of the officers and employees within the cadre shall be as prescribed in the Rules to be framed under this Act.

10. **Powers to issue Directives by the Auditor General** : The Auditor General may, subject to the Constitution of the Kingdom of Nepal, 1990 and the prevailing laws, issue directives to the concerned Government Offices,

* Amended by The Act Amending Some Nepal laws, 2063

and Corporate Bodies wholly or substantially owned by Government of Nepal, from time to time to make proper arrangements on matters of accounts and to maintain regularity therein. It shall be the duty of the concerned offices or organizations to abide by such directives.

11. **Powers to Frame Rules** : Government of Nepal may in consultation with the Auditor General, frame Rules for the implementation of this Act.

12. **Action to be taken Against Irregularities** : Necessary legal action shall be taken in respect of the faults and irregularities observed during the audit of income and expenditure and other financial matters of Government of Nepal, according to the prevailing laws.

13. **Repeal and Savings**

(1) Audit Act, 2018 is hereby repealed.

(2) Accounts to be audited under the Audit Act, 2018 shall be audited according to this Act.