

**Government of Nepal**  
**Ministry of Federal Affairs and Local Development**  
**Good Governance Section**  
**Local Governance and Community Development Programme**  
**Fiduciary Risk Reduction Meeting**  
**Meeting Minutes**

**Date: 24 June 2015**

**Location: MoFALD Meeting Hall**

**Start Time: 11:00pm. End Time: 1:30 pm**

**Chair: Secretary, Dr. Somlal Subedi**

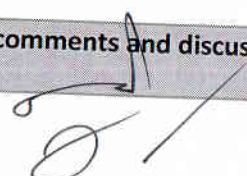
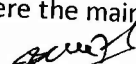
The meeting was chaired by Respected Secretary, Dr. Somlal Subedi. The opening remarks were provided by Mr. Purusottam Nepal, National Project Manager, LGCDP and Undersecretary, MoFALD. The NPM welcomed all the members presented in the Second FRM meeting of the year. This was followed by self-introduction of the members. After the formal session followed by introduction, Mr. Subas Chandra Shiwakoti, Chief of Finance Section, MoFALD highlighted the presentation. We emphasized that this meeting is primarily based on the framework of PEFA-FRRAP and the products launched during the year specially after intervening VDC accounting software, which was the one of the major improvements in FRM actions initiated by MoFALD and he informed that local level staff working in the software are also present in the meeting to demonstrate the usefulness, its problem and issued in implementing in VDC level operation of the accounting software. He briefly highlighted on the following activities with progress that were carried out during the period from the last meeting. He outlined the following activities in the meeting.

- Progress of last FRM meeting
- Review of Financial Monitoring Report
- Fiduciary Risk Investigation and its implementation
- Financial Compliance monitoring and its progress
- PEFA-FRRAP implementation progress
- Demonstration of VDC Accounting Software
- Discussion and Q&A

**Below are the presentation highlights followed by key comments and discussions, response from the management and major decisions.**

**General Introduction**

Following were the main highlights of the presentation:





- 23 outputs are set under 6 outcomes in FRRAP, where 95 activities are listed
- MoFALD and LB's all programme are aligned on it
- Responsibility for implementation of FRRAP
  - In center: all divisions of MoFALD and departments (DoLIDAR and Vital Registrations)
  - In local level: all LBs

Agendas	Presentation outline
<b>Progress of agreed actions of Last FRM meeting</b>	Some of the key highlights were VDC software installation in 1056 VDCs and training provided to 1560 VDC staffs. Likewise, initiated FRRAP Implementation tracking practices and the ASIP 2015/2016 will be analyzed based on FRRAP.
<b>Financial Monitoring</b>	The main highlights were 70.04% of budget spent upto last month and is expected upto 80% expenditure at the end of the FY. Out of 9362 million arrears observed so far, 26.06% of audit settled. Local PFM efforts include implementation of DDC-FAMP- fully running in 59 districts and partially in 11 districts.
<b>Status of LBFAR revision process</b>	The main highlights were LBFAR is still in reform stage. Bill is expected to be approved from the parliament at the earliest. After this, LBs financial monitoring activities will be expedited more effectively. Total complied is 41%, partially-38%, non compliance-21%.
<b>Fiduciary risk investigation progress status</b>	The main highlights were more than NRs. 150 million advance settled, misused social security allowances recovered and out of total 997 complain received, 86.76% settled.
<b>Feedbacks and comments from participants</b>	<b>Response from Management</b>
<p><b>ADB</b></p> <ol style="list-style-type: none"> <li>1. The substantial increase in number of VDC accounting trainings from 250 VDCs to 1056 is highly appreciated. However, the next step is to know much the training has been useful and to what extent the software is being utilized.</li> <li>2. The current ASIP has issues that need to be readdressed. It requires discussion on revising the ASIP based on FRRAP at this stage. There are 22-25 FRRAP activities, still in under</li> </ol>	<p><b>NPM</b></p> <p>Reasons for non compliance of some of the FRRAP indicators:</p> <ol style="list-style-type: none"> <li>1. The programme has fully complied with planning related activities. However, on the institutional development of VDCs, categorization or VDC reform as per LSGA is one of the primary functions. However, in the current scenario, would it be wise to undertake categorization considering the recent consensus on federal structure?</li> <li>2. Other area of limited compliance: Hologram social security allowance linked to national ID department.</li> </ol>

Handwritten signatures and initials are present at the bottom of the page, including a signature on the left and initials in the center and right.



complied. What is the plan to implement it? How to include it in the ASIP?

3. Details discussion is required on external audit findings of DDCs. At the moment, it does not provide details on the nature of 26% of audit arrears settlement. Does it equate to 70 to 80 % of funding? If so, then it is fine. It is important to know what this 26 % account for – major concerns or minor findings?

4. 150 million advances settled-what percentage is that? What period does it cover? Currently, it is just a standalone number.

5. With regards to PEFA-FRRAP implementation progress, the presentation highlighted 21% total non-compliance amongst total indicators. Why was this not achieved as those are important initiatives? Why not implemented? The causes need to be highlighted.

6. Audit findings of last 18 years- How many of those will actually be resolved? There could be data clutter. How are we going to track 60,000 data?

7. The presentation needs to incorporate tracking of major findings from external audit of municipalities and VDCs. Presentation of those findings and sharing should be done at this forum.

**SDC:**

1. PETS, Local PEFA assessment, Performance Audits of the DDCs and VDCs, FRRAP are important documents. These are key documents based on which the entire programme of LGCDP was envisioned. Implementation of these documents

3. Reform in procurement management at the VDC level; preparing master procurement plan is a challenge. Similarly some of the FRRAP indicators in procurement like developing standard bidding document in Nepali for all types of procurement at VDC level will be only possible through PPMO.

**Output 4 Manager:**

- The ministry acknowledges DPs concerns and are working to address those. Regarding non compliance of some FRRAP activities, there are certain gaps. Central Interventions and local interventions need to be tied up. For FRRAP implementation we need real Technical Assistance (TA). TA should be concentrated on knowledge based support, as an extended hand for MoFALD. MoFALD is giving priority in tracking FRRAP implementation and monitoring the budgetary allocation as per FRRAP areas/indicators.
- Regarding AORTS, the ministry is trying to capture the whole information of the audit arrears suggested by OAGN. The analysis will be helpful to address the suggestions and settle the arrears. It was acknowledged that this FRM meeting is not only about discussing financial issues but to minutely see each aspect. There are 6 outcomes of FRRAP related to PFM which starts from planning, its execution, and assuring the results in accountable way. Therefore, it cannot be isolated from PFM.



should be utilised for the LGCDP midterm review. How will it be implemented before the midterm review of LGCDP?

2. Encouraging results of MoFALD's emergency fund utilisation. However, it should also be explained how the fund was utilized? What was the basis? Were actually victims really benefitted? A detail report is needed to evaluate all these aspects.

#### ADB/Navita

Corruption risks: It is time to think of strategies to mitigate corruption risks. How well all the 95 activities of FRRAP are integrated into 6 output groups? Going forward, revise the activities if needed.

#### Denmark:

1. Fiduciary Risk Mitigation meeting: The main goal of the FRM meeting is to reduce fiduciary risk in the future. So activities need to be prioritized accordingly.
2. On PEFA- FRRAP implementation, out of 118, only 41% complied. Why others did not comply? Does it mean additional support is needed? Looking forward strategy should be understanding the non compliance issues and devising activities to achieve those indicators. It looks like FRM is more concentrated to PFM but these two are different things.

#### Secretary's Remarks

Addressing the meeting, Secretary thanked all the members presented in the meeting for the valuable input and expressed his happiness on the productive discussions. He assured that Ministry has prioritized for reforms of FRAAP which was initiated during the first phase of implementation. He said that there is a design gap in implementation. He emphasized that generation of economic activities at local level, establishment of accountability mechanism at local level, downward accountability are the foundation of MoFALD initiation to work in fiduciary risk mitigating campaign. We are working for the LSGA amendment also; hopefully this will address some of the gaps in implementation of action plan. He also shared his experience of other countries; added that we are not very much far behind in implementation. He also shared the





reason could be lack of HR, and questioned that local level staffs are sometimes overburdened to address the problems at all level.

**Way Forward**

- More functionalize the Financial Compliance Monitoring Unit
- Revision of LBFAR
- Training and other initiations to improve procurement system
- Complete the local PEFA assessment
- Conduct PETS

**Demonstration on accounting software**

**VDC**

**ADB:** How difficult was it to do the entry on the accounting software

**SDC:** Are there sufficient human resources? Is there a need of more technical backstopping? When a technical problem arises, who provides assistance? How is it managed? What happens when there are human errors? If data are deleted accidentally? How do you undelete it? What is the backup system? How often is it backed up? What happens when your computer crashes?

**VDC staffs:** The VDC staffs informed that the applicability of the software at VDC level has significantly supported to keep accounting and recording intact. The software has helped to keep accounts based on principles and provisions of LSGA.

All VDC staffs admired the application of the software and shared their experiences. The staffs assured and showed their commitment that they have proper solution of handling the software from the technical backstopping to utilisation of software including proper backup system.

**AOB**

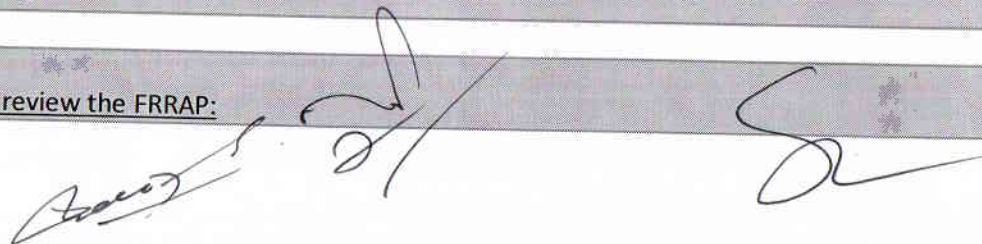
**NPM:** As an additional business, NPM informed on the of emergency Response fund provided by LGCDP with support of DP. It was reported that 90% of the fund has been utilized so far. It was also informed that the fund was utilized based on the guideline. The details of report would be finalized soon and shared with DPs.

In his closing remarks, the National Program Director, Mr. Reshmi Pandey thanked all DPs and Team of MoFALD as well as VDC staffs for active participation and meaningful discussions.

**Decisions**

**ADB**

A taskforce assigned to review the FRRAP:





Since a framework on the status of FRRAP is more or less known, a separate meeting to revise 190 activities needs to be planned. It is vital to find a way forward for the things that are not in progress and not complied. The meeting will agree on a new timeline, revision of indicators, etc. The proposed participants are DPs, GoN representative, ADB and NPM.

The Taskforce consists of

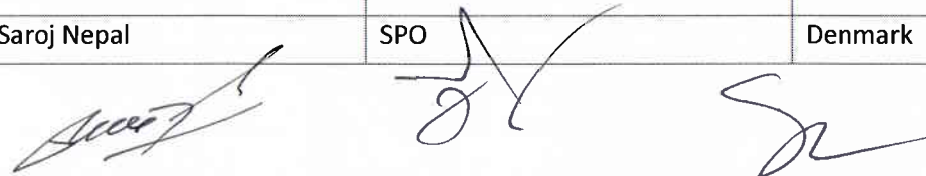
- Division chief-General Administration
- NPM
- Finance Section Chief
- Monitoring Section chief
- Rural development section chief
- Revenue Section chief
- Infrastructure section chief
- Representative from DPs

SPMP to provide necessary technical support.

**NPM:** The FRAAP revision meeting can be held in late July after the current FY is over.

**Participants List:**

<i>S.NO</i>	<i>NAME</i>	<i>DESIGNATION</i>	<i>ORGANIZATION</i>
1.	Dr. Som Lal Subedi	Secretary	MoFALD
2.	Mr. Purna C. Bhattarai	JS	MoFALD
3.	Mr. Reshmi Raj Pandey	JS	MoFALD
4.	Dr. Hari Poudel	JS	MoFALD
5.	Mr. Dhana Bahadur Shrestha	JS	MoFALD
6.	Mr. Purusottam Nepal	Programme Manager	MoFALD/LGCDP
7.	Mr. Narahari Bhandari	JS	MoFALD
8.	Mr. Yam Nath Sharma	Asst. Country Director	UNDP
9.	Mr. Ram Krishna Dahal	Finance Officer	UNFPA
10.	Mr. Saroj Nepal	SPO	Denmark



Handwritten signatures of participants are present below the table, corresponding to the names in the list.

12.	Mr. Bishnu Adhikari	Governance Advisor	DFID
13.	Mr. Prakash Regmi	P. O	SDC
14.	Ms. Navita Srikant	Oversight Accountability Expert	<b>SPMP International</b>
15.	Mr. Siddhanta Vikram	Sr. PFM Specialist	<b>ADB</b>
16.	Mr. Bidur Kumar Dhimal	Account Officer	<b>MoFALD</b>
17.	Mr. Anil Chandrika	Programme Specialist	DPCell
18.	Mr. Raghu Shrestha	CMS	LGCDP
19.	Mr. Parakram Sharma	DTL	<b>SPMP</b>
20.	Mr. Shailesh Bhattarai	PFM Expert	<b>PFMA</b>
21.	Mr. Mark O'Donnell	Team Leader PFMA	<b>PFMA</b>
22.	Ms. Reshu Karki	CDO	LGCDP
23.	Mr. Himlal Adhikari	Account Officer	<b>MoFALD</b>
24.	Mr. Lilanath Upadhyay	Na Su	LGCDP
25.	Mr. Gyanendra Shrestha	Joint Accountant	<b>ADDCN Khaireni VDC</b>
26.	Mr. Nim Bahadur Thapa	Kharidar	<b>TITihiriya VDC Banke</b>
27.	Mr. Lek Bahadur Nembang	VDC Secretary	<b>Lumle VDC Ilam</b>
28.	Mr. Sampait Yadav	Kharidar	Dhangadhi
29.	Mr. Ram Chandra Kamati	VDC Assistant	Siraha
30.	Mr. Abhisekh Shrestha	ICT Volunteer	LGCDP
31.	Mr. Subas Chandra Shiwakoti	Finance Chief	MoFALD
32.	Mr. Mahesh Pokharel	Procurement Specialist	LGCDP
33.	Mr. CP Sigdel	RGCDP	LGCDP