

FIDUCIARY RISK REDUCTION ACTION PLAN (FRRAP)

(FINAL)

Implementation Period: FY 2077/78 - 2079/2080



Government of Nepal

Ministry of Federal Affairs and General Administration

Provincial and Local Governance Support Programme (PLGSP)

Singhadurbar

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1. Background

The main objective of a democratic system of governance is to provide enabling environment for citizens to experience governance by establishing good governance at the place. Transparency, Public responsibility, effectiveness, Rule of Law and Corruption control are considered as basic elements of good governance. Good governance is considered as an essential of federal system of government.

The Provincial and Local Governance Support Programme (PLGSP) is the national flagship programme of the Government of Nepal (GoN) to build institutional, organizational, and individual capacity at all three levels of governments, having more focus on the provincial and local governments.

The PLGSP as an umbrella programme provides a common framework for coordination and coherence in the governance-related programmes at the provincial and local levels and accommodates other development partner funded programmes.

The ultimate goal of the Programme is to attain functional, sustainable, inclusive and accountable provincial and local governance. To attain the goal, the programme aims at strengthening provincial and local governance systems and procedures, and inter-governmental relationships to maximize benefits of cooperative federalism for Nepali citizenry; enhancing the capacity of provincial and local governments to deliver services and development outcomes effectively to citizens.

The elected officials and employees of the concerned public bodies are responsible for the effective management of the public financial resources available in the public bodies. Public financial resources should be mobilized in a way that has a definite purpose, target area and expected results. Negligence or malice in the process, corruption, inadequate capacity can put public finances at risk. Good financial governance requires financial discipline, strategic prioritization of financial resources and ensuring the value of public funds through the result and use of allocated funds.

While managing public financial resources, the main pillars of good governance: economy achievement, efficiency, effectiveness, transparency and accountability should be ensured. In this process, the institutional structure of public financial management (PFM), procurement systems and governance systems also need to be organized. Reducing the risks of financial governance requires a planned and systematic effort.

This Fiduciary Risk Reduction Action Plan (FRRAP) of PLGSP has been prepared and approved. It will be implemented by PLGSP for the efficient use of public financial resources through good financial governance by minimizing the risks in all cycles of public finance management.

2. Strategy Framework

Fiduciary risks are the risks of not using the funds for the intended purpose, not getting the value of the money or not keeping proper details of income and expenditure. Financial risk arises due to any circumstance or situation that hinders the management of the fund in an economical, efficient, effective and proper manner. Financial risk can be caused by various factors such as weak control systems, inadequate organizational capacity and inadequate staff capacity. Strong public finance management is an important issue in minimizing financial risk. Public finance management is a system through which financial resources are planned, directed and controlled to enable and influence the delivery of public services in an efficient and effective manner. The principles of efficiency, effectiveness and adequacy are fundamental objectives of sound public finance management.

To improve the public finance management system, the Government of Nepal has taken various measures such as strengthening participatory planning processes at every level of government, improving the accounting and reporting system, promoting transparency, capacity building and ensuring accountability at the grassroots level. In addition, Government of Nepal have also prepared and approved FRRAP to be used by the local governments and also a model FRRAP that can be adapted and use by the Provincial government. In line with the framework of Government of Nepal, PLGSP has prepared its own FRRAP that includes dimensions of public finance management, potential risk of financial governance, risk reduction plans and activities, division of labor, performance periods and financial governance at federal, province and local levels. Institutional systems will be established so that the FRRAP will be implemented through the Implementation Committee.

The FRRAP of the PLGSP will be implemented under the leadership of the Ministry of Federal Affairs and General Administration (MoFAGA). This action plan will focus on the PLGSP and identifies activities to address the steps needed to improve public finance management to minimize and mitigate financial risks associated with program operation. The action plan covers public finance management processes such as planning, budgeting, implementation, accounting, auditing, reporting and monitoring. This action plan has been prepared for the period from FY 2077/78 to 2079/80.

Fiduciary Risk Reduction Action Plans for the Province will be prepared and implemented through the Office of the Chief Minister and the Council of Ministers with the facilitation of the PLGSP Programme Coordination Unit (PCU). A separate procedure will be prepared for the reduction of financial good governance risks for the local level and these will be assessed through the District Coordination Committee.

3. Objectives

The main objective of this FRRAP is to ensure the value of public funds by controlling financial risk through sound PFM and maintaining economic and financial discipline, efficiency, transparency, and accountability in the management of public financial resources.

The strategic objectives of public financial management are as follows:

Fiscal discipline means having clear targets for public expenditure and ensuring that these targets are maintained during budget execution.

- **Fiscal discipline:** Fiscal discipline ensures economical, transparent, accountable and results-oriented use of public financial resources by setting goals and objectives and adhering to prescribed procedures for its management. It emphasizes on achieving the specified goals, objectives and results of the public financial resources within the stipulated timeframe by making the public officials responsible for the financial resources accountable and responsible.
- **Strategic allocation of fiscal resources:** Strategic allocation of fiscal resources in periodic and annual development plans is another major objective of fiscal management. Public sector plans, budgets and programs are viewed as the fiscal mirror of the general citizen. Annual plans and programs should be able to address the policies and programs of the periodic plan with the interest of the common citizen at the province. To make publicfiscal resources productive and effective, allocations should be made in strategic priority areas.
- **Value for money:** The public fiscal resources are the public property. The most complicated aspect of this is that the people in charge of it manage the public money owned by the citizens, due to which there are risks involved. While managing public fiscal resources, economy, efficiency transparency and accountability should be ensured.

4. Categorization of Risks:

PFM, in its broadest sense, links public resources with citizen's choices. PFM is a system through which financial resources are planned, directed and controlled in order to enable and influence the efficient and effective delivery of public service objectives. The scope of PFM includes not only the activities of resource mobilization, program prioritization, budget execution and control, accounting, auditing, reporting, monitoring and evaluation, but also effectiveness of all of these processes in improving the wellbeing of citizens through inclusive service delivery.

Fiduciary risks manifest themselves in the management of programming inputs, institutional processes and results achievement. The fundamental characteristics of the public sector is to produce its required results without compromising due legal processes. The strategies required to meet the objectives of the FRAAP are to strengthen participatory planning processes; improve accounting and reporting systems; promote transparency; enhance institutional and individual

capacities; mitigate perceived risks; and strengthen civic oversight to ensure downward accountability.

There are six major components of PFM and it is important to balance all these components. There is equal possibility of risk in all six components of PFM.

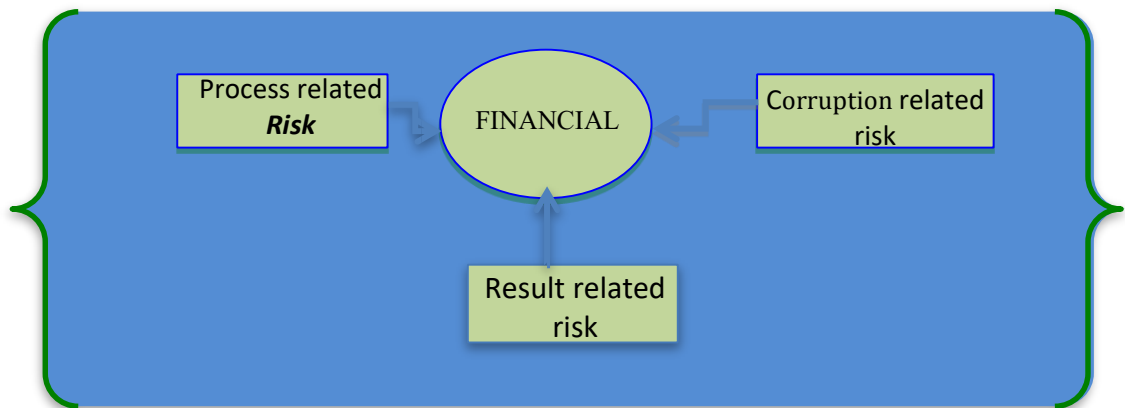
- a) Planning and Budgeting
- b) Program Implementation and Procurement Management
- c) Accounting, Reporting and Auditing System
- d) Monitoring & Evaluation
- e) Revenue Management
- f) Assets management

The risk of an unforeseen event that can have a negative effect is called a risk and such risks can materialize slowly or suddenly, and in either of the PFM dimensions. ***Such risks are classified as follows:***

A risk is the probability of an unintended occurrence causing a negative result. Fiduciary risk is the risk that funds are not used for their intended purpose, do not achieve value for money, do not produce their expected results or are not properly accounted for.

It is quite common and possible that different types of risks are associated with different component of PFM. The common risks that are associated with PFM are categorized as follows:

- **Process related risk:** The risk of possible violation of the legal process mentioned for the management of every dimension of PFM is called process related risk. As important as results are in the public sphere, it is also important to follow the defined procedures for achieving those results. The public sector is an area governed by laws, rules and procedures. Violation of laws, rules and procedures can lead to arbitrariness and corruption.
- **Result related risk:** The risk of not having a positive outcome for the general public from public revenue and expenditure is called the result related risk. The main owner of public resources is the people and the responsibility of its management is given by the people to their representatives. The main purpose of public finance is to bring about positive change in the life of the public which is called result. Thus, it is important that the public resources must bring about result-oriented positive impacts in the lives of the public.
- **Corruption related risk:** The power and the resources are interlinked with each other. There is always a risk of misuse of public power and authority for individual benefit which is known as corruption related risk. Mostly, the corruption related risks are common in expenditure related activities, revenue collection, policy formulation, public regulation sectors, etc. Thus, it is important to know the possible areas and find the ways to mitigate corruption related risk.



1. Risk areas and depth of fiduciary risk

The FRRAP categorizes the fiduciary risks of the PLGSP into three categories: low, medium and high.

The levels of risk for the purpose of this action plan are defined as follows:

Risk Category Details:

- **Low risk:** This situation represents the basic compliance of the existing rules in the operation of the program, even if it is not 100% followed.
- **Medium risk:** This indicates that there are some significant weaknesses in the implementation or the need to change the procedure.
- **High risk:** This indicates a fundamental failure in compliance. This risk indicates the need for substantial upgrading in the system to reach the standard level.

5. Fiduciary Risk Reduction Action Plan Implementation Committee

A comprehensive multi-stakeholder Implementation Committee will be formed at all three tiers of government, i.e Federal, Provincial and Local level, for the effective implementation of the FRRAP. The FRRAP Implementation Committee is comprised of the following members representing different government line agencies.

a) Federal Level

Secretary, Ministry of Federal Affairs and General Administration	Coordinator
Division Chief, Planning and Development Assistance Coordination Division	Member
Division Chief, Local Level Capacity Development Division	Member
Division Chief, Human Resource and Internal Management Division	Member
Division Chief, Federal Affairs Division	Member
Division Chief, Administration Reform, Human Resource Planning and Development Division	Member
Joint Financial Comptroller General (JFCG)	Member
Joint Secretary, National Vigilance Center	Member
Chief, Financial Administration Section	Member
Under Secretary, Resource Mobilization Section	Member Secretary

b) Province Level

Principal Secretary	Coordinator
Provincial Program Director (PPD), PLGSP	Member
Secretary, Economic Affairs and Planning Ministry	Member
Chief, Provincial Treasury Controller Office (PTCO)	Member
Provincial Program Manager (PPM), PLGSP	Member Secretary

c) Local Level

Chief Administration Officer	Coordinator
Officer Representative, District Treasury Controller Office	Member
Chief, Economic Development (Taxation unit/section/division)	Member
Chief, Internal Audit section	Member
Chief, Planning Section/Division	Member
Chief, Finance Division/section	Member Secretary

6. Expected Outcome and Achievement of Fiduciary Risk Reduction Action Plan

Expected Results:

- Internal Control System will be established.

- Effective planning and budgeting will be formulated.
- Mid-term expenditure structure will be in use.
- Expenditure will be ensured in the finalized plan.
- The accounting system will be in the finalized format.
- Separate Fiduciary Risk Reduction Plan will be prepared for Innovation and Partnership Fund (IPF).

Expected Achievements:

- Strengthening of the PFM systems and processes.
- Capacity of financial management will be increased.
- Result oriented Monitoring and Evaluation.
- Improved action plan will be implemented.

Corruption related risk mitigation:

In reference to the JFA Section XI related to Corruption, MoFAGA will take swift legal action to stop, investigate, and prosecute in accordance with applicable law. All corruption related risks and cases will be discussed with JFADPs in the PLGSP National Advisory Fiduciary Risk Management Sub-Committee (NAFRMSC). Further, in line with the JFA, MoFAGA will set up its anti-corruption effort which includes setting up a grievance/complaints response system at local level and strengthen the good governance section in MoFAGA with additional capacity to respond to corruption. MoFAGA will mainstream anti-corruption in its capacity building activities and throughout the programme.

7. Major activities of the Fiduciary Risk Reduction Action Plan

For each potential risk, mitigation measures and the required actions have been detailed in the following table -1.

Table-1: Fiduciary Risk Reduction Action Plan (FRRAP) Framework

2077/078-2079/080

Potential Risk	Reduction Measures	Action in FRRAP
<ul style="list-style-type: none"> Credibility of the budget will be reduced 		
Low expenditure capacity	As per the agreement between the Government of Nepal and the JFADPs, the amount will be spent through the Consolidated Fund as per the budget calendar.	Improve the procurement system, formulate budget and procedures for implementation, and formulate guidelines for implementation. (2.2.1),(2.1.3)
Low budget credibility	Spend atleast 75% of the allocated budget	Prepare budget on the basis of budget calendar, to improve procurement system, to spend on quarterly basis.
The tendency to spend at the end of the fiscal year	Manage the expenditure in accordance with the prevailing law of the Government of Nepal	Prepare procurement improvement action plan. (2.2.1) Prepare guideline of procurement method. (2.2.2)
Inadequate balance in budget and program costs	Formulate cost estimating method	Prepare cost preparation method and provide training. (2.1.3)
The budget formulation process at the province level is not effective and the mid-term expenditure structure is not implemented.	Formulate budget on the basis of mid-term expenditure structure.	Include Mid-Term expenditure structure. (2.1.2)
The provincial level plan is not formulated according to the	Prepare the budget according to the budget calendar and spend the amount through the accumulated fund	Involving the concerned stakeholders and external monitoring bodies while formulating the program for the coming year.

development program based on the provincial plan.		
Program implemented under PLGSP may not receive priority.	Operate this program in accordance with the release and expenditure system of the Government of Nepal.	Operate budget and programs through province and local program reserve fund (3.1.2)
Financial transfer system may not be followed as per prevailing law.	Conduct programs in accordance with the Government of Nepal's Release and Expenditure system through the Office of the Comptroller and Auditor General, The Province Comptroller's Office and the Office of the Comptroller and Auditor General.	Operate the budget and programs through the reserve fund of the Government of Nepal as per the joint management of donors (JFA). (3.1.2)
<ul style="list-style-type: none"> Transparency and Financial Management: Risks of insufficient transparency, uniformity and ease of access in financial management 		
Weak financial management capacity at the province and local level risks not being able to formulate an actual budget on the Annual Strategic Implementation Plan (ASIP) and IPF Proposal.	<ul style="list-style-type: none"> ✓ Include the grant amount of financial transfer from the Ministry in the budget of the province government. ✓ Ministry to implement Fiduciary Risk Reduction Action Plan at the province and local level. 	<ul style="list-style-type: none"> ✓ Prepare Annual Strategic Implementation Plan (ASIP) and Guideline for IPF.(1.1.1) ✓ Fiduciary Risk Reduction Action Plan will be implemented at the province and local level.(4.2.2)
<ul style="list-style-type: none"> Risk of non-formulation of policy based budget 		
Risk of weak correlation between province government development planning and province –local government assistance programs.	Select the programs to be implemented from the province and local level on the basis of the priority of the development plan.	<ul style="list-style-type: none"> ✓ Include Mid-term expenditure structure. (2.1.2) ✓ Conduct programs by establishing inter-governmental coordination on the basis of MoU between the Ministry and the provinces.(2.1.1)
<ul style="list-style-type: none"> Risk of budget projection and uncontrollable 		

There may be low compliance with authorized systems, procedures and criteria.	Agency implementing the PLGSP will follow the established systems, processes and standards.	✓ Strengthen the internal audit branches at the local level. (3.3.1) ✓ Prepare internal audit procedure. (3.3.3) ✓ Capacity building of the auditors.
Weak management of internal control system	Expenditure bodies will implement internal control system.	Establishing internal control system at the province and local level to make the control system effective.(2.1.4)
• Accounting and reporting system		
Inadequate reliable, trustworthy and accurate data available to decision makers and management	Strengthen the financial reporting system.	Implement CGAS, NEPSAS at Province level and SuTRA at local level.(3.1.1)
	Classify the expenditure approved by the Government of Nepal and conduct the program according to the criteria.	Develop capacity for financial reporting system improvement and implementation. (3.2.4)
		Provide training on financial management to newly appointed and posted accounting staff. (3.2.4)
	Strengthen the Public Assets Management System (PAMS).	Implement Public Assets Management System (PAMS) in Province and local level. (3.1.1)
• External monitoring and audit		
May not be under the jurisdiction of an independent body for final audit and external monitoring	Remain within the scope of audit of province and local level from the Office of Auditor General.	Complete the audit of Province and Local level within the time frame from the authorized institution.(3.3.5)

8. Financial Management Improvement Plan (FMIP) Framework

For the period of PLGSP, year wise financial management improvement plan has been presented as below. It describes expected outcome, responsible agencies, major activities to be implemented and the output to be delivered with time line and baseline.

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
1. Capacities and systems to develop and implement plans, budgets and programmes are established and strengthened at all levels of government								
1.1 Planning								
<u>Responsible agency:PCU</u>	1.1.1	To prepare ASIP Guideline and make it available to PPIU/PCGG.				ASIP Guideline will be prepared from PCU and made available to PPIU/PCGG.	Not in place	Fully in place and utilized
	1.1.2	Prepare Budgeting Procedure’s manual.				Guideline will be prepared for budget formulation including budget formulation process, budget projection, procurement plan preparation, etc.	Not in place	

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
	1.1.3	To include the result framework of the PLGSP in the annual program.				Annual budget and programs will be prepared by the local and Province level according to the Mid-term expenditure structure.	Not initiated	
	1.1.4	Develop the capacity of human resources for the annual planning and program implementation of the PLGSP (concerning the ASIP Guideline, Budgeting Procedures' manual).				Human resource capacity related to plan formulation, regional strategic planning, mid-term expenditure structure and capacity to formulate and implement annual plan and budget.	Not initiated	
<u>Responsible agency:</u> PPIU/PCGG	1.1.5	Adopt participatory budget formulation method while preparing the Annual Strategic				The amount of IPF provided by the province to the local level will be included	Not in place	

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
		Implemetation Plan (ASIP) of PLGSP.				in the annual budget and program of local level.		
	1.1.6	Conduct capacity building programs for the bodies directly invloved in the PLGSP implementation in order to formulate result oriented plans and programs.				Thematic Ministry bodies and provincial planning commissions will be provided training on result-oriented planning and budgeting.	Not initiated	
1.2. Budgets and Programmes								
<u>Responsible agency</u> PCU	1.2.1	Conduct coordinated and interactive programs to enhance and maintain the ownership of the PLGSP at all levels of government.				The amount provided to the Province by PLGSP will be spent only by including it in the annual budget and program of the province government.	In place	Fully in place and compliant

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
	1.2.2	Coordinate with Implementing agencies such as the Office of the Comptroller and Auditor General and local development training institutes about the program.				Coordinate program implementation among program implementing agencies	Initiated	
	1.2.3	Approve the budget and programs as per the Financial Procedure and Financial Accountability Act.				Program approval and authorization will be given in the month of Shrawan.	Initiated	Approved and authorization provided as per act
	1.2.4	Prepare working guideline for PLGSP program budget and program operation.				Budget and programs will be operated through the reserve fund of the Government of Nepal as per the Joint Financing Agreement (JFA).	In place	

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
	1.2.5	Orient the human resource involved in the PPIU/PCGG program to the budget and program operation guideline.				The human resource involved in the PPIU/PCGG program will be oriented towards the budget and program operation guideline.	Not initiated	
2. Program implementation and procurement management capacities are increased at all levels of government								
2.1 Program Implementation								
<u>Responsible Agency:</u> PCU	2.1.1	Conduct programs by establishing inter-level coordination between Ministry and the Provinces				PPIUs and PCGGs will be operational in all the provinces after signing of the MoU between the Ministry and Provinces.	MOU signed	PPIU and PCGG are fully functional and delivery is underway
<u>Responsible Agency:</u> PPIU/PCGG	2.1.2	Establish interrelationship between plan, policy and budget program.				The budget will be formulated on the basis of mid-term expenditure structure.	Initiated	

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
	2.1.3	Formulate cost estimating method.				Training modules on local rate will be prepared and provided by the PCGGs.	Not in place	
	2.1.4	Implement internal control system.				Internal control system will be established at the Province and Local level.	Not in place in province and local	
2.2 Procurement Management								
<u>Responsible Agency</u> PCU	2.2.1	Prepare and implement Procurement Improvement Action Plan.				Procurement Improvement Action Plan will be prepared and implemented for the program period.	Not in place	
	2.2.2	Prepare Procurement Planning Guideline.				Procurement Planning Guideline will be prepared and available in PPIU/PCGG	Not in place	

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
<u>Responsible Agency:</u> PPIU/PCGG	2.2.3	Activate the procurement unit, branch, division.				Procurement Unit Branch will be established in the Provincial Ministries.	Not established	Initiated to establish the procurement unit
	2.2.4	Develop capacity in procurement management.				Human Resources involved in province and local level procurement units will be trained.	Not initiated	
	2.2.5	Orient the consultants on the works and results for the effectiveness of public procurement.				Consultants will be selected on a procedural basis to receive consultancy services.	Not initiated	Will be initiated
3. Accounting, reporting and auditing system are established and implemented at all levels of government								

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
3.1 Accounting								
<u>Responsible Agency:</u> PPIU/PCGG	3.1.1	Bring Chart of Account and Computerized Government Accounting System(CGAS) use by the Office of the Comptroller General				The Chart of Account specified by the Office of the Comptroller and Auditor General will be used for accounting at the province and local level.	Partially used CGAS inProvin cial Govt.	Fully operational and CGAS utilized across all Provincial Govts.
						All Provinces will have CGAS and local level will use SuTRA and Public Assets Management System (PAMS)	CGAS Partially used in Provinc e and PAMS not in place	CGAS fully operational in Province and orientation on PAMS is in ASIP FY 2077/78
	3.1.2	Fund release and expenditure of the Program will be				All funds from the program will flow	In place	In place and compliant

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
		Execute only from the government treasury.				only from government funds.		
	3.1.3	Make transparency in expenditure				Expenditure details public.	Not in place	There are indicators in LGs and PGs FR framework
	3.1.4	Prepare standard operating procedures (SOP) for financial operations.				Financial procedures will be prepared and in use.	Not in place	Resource book on procurement and internal audit procedure have been in place
	3.1.5	Financial procedures will be followed while transferring the amount provided by PLGSP. Expenses other than				The amount provided by PLGSP shall be remitted in accordance with the Financial Procedure	In the process	Full compliance of Financial Procedure and Financial

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
		LMBIS entry will be controlled.				and Financial Accountability Act.		Accountability Act.
3.2 Reporting								
<u>Responsible Agency</u> PPIU/PCGG	3.2.1	Prepare report based on Nepal Public Expenditure Accounts (NPSAS).				Uniformity in the reporting system.	Partially initiated	
	3.2.2	Financial reports/ statements will be prepared within the stipulated time schedule.				Quarterly and consolidated financial report (FMR) of financial transactions will be prepared from PPIU/PCGG.	FMR system Initiated	Financial reporting as per FMR in place and fully used
	3.2.3	Submit Financial report in accordance with the Financial Procedure and				On time reports will be send to the higher body by the local	SuTRA in place	In place , all 753 LGs are implementing

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
		Financial Accountability Act.				level in accordance with the prevailing law.		
	3.2.3	Implement PAMS in Province and local level.				No. of Provincial and LGs will implement PAMS	Not initiated	FCGO has planned for PAMS training in this FY 2021/22
	3.2.4	To provide training on PFM to the newly appointed and posted accounting staff.				Accounting staff will receive training on PFM and the reporting system will be improved.	Not initiated	
<u>Responsible Agency:PCU</u>	3.2.5	Report on the programs operating through the reserve fund of the Government of Nepal as per the JFA.				Quarterly and consolidated financial management report (FMR) of financial	Initiated	Fully in place and compliant

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
						transactions will be prepared as per the JFA.		
3.3 Audit								
<u>Responsible Agency:</u> PCU	3.3.1	Prepare and implement the internal audit procedure of the local reserve fund.				To conduct audit at the local level in accordance with the internal audit procedure.	Partial	Internal Audit procedure approved by MOFAGA and made available
	3.3.2	Prepare audit arrears strategic plan and provide it to the local level for implementation.				Audit arrears strategic action plan will be implemented	Not in place	Draft prepared, approval process is underway

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
<u>Responsible Agency:</u> PGs/LGs	3.3.3	To make the internal audit branch effective at the local level, to appoint an audit officer.				Internal audit system will be established at the local level.	Not in place	Data not available, has been addressed in local FR A framework
	3.3.4	To complete the internal audit within the period defined by law.				Internal audits completed within the stipulated time period.	Not in place	Initiated, addressed in PLG's FRA framework
	3.3.5	To complete the audit of province and local level within the time-frame from the authorized and assigned institution.				The audit of the province and local level will be completed by the authorized institution within the stipulated period.	In place	Office of the auditor general (OAG) has completed and reported.

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
	3.3.6	Local governments prepare and submit the final audit reports to the final audit meeting.				The local level will submit the final audit report to the concerned meeting as soon as it is received	Not in place	Discussed in assembly meeting
4. Monitoring & Evaluation systems are established and strengthened at all levels of government								
4.1 Monitoring								
<u>Responsible Agency</u> : Ministry of Federal Affairs and General Administration	4.1.1	Prepare and implement a monitoring framework for local level monitoring				Monitoring framework for local level monitoring is prepared and implemented.	Not in place	

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
	4.1.2	Strengthen the monitoring system at the local level through District Coordination Committee.				Monitoring system will be established in District Coordination Committee. FRRMSC/TASC meetings will be held regularly.	Not in place Initiated	
	4.1.3	Strengthen monitoring and evaluation mechanism. Manage high level monitoring system in capacity development.				High level steering committee will be formed and activated for the management of training modules and training programs.	Not initiated	

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
	4.1.4	Monitoring system (software) will be developed.				The program is monitored through District Coordination Committee utilizing the monitoring system (software).	Not in place	
4.2 Evaluation								
<u>Responsible Agency :</u> Ministry of Federal Affairs and General Administration, Province level/Local level	4.2.1	The Ministry will arrange all the necessary requirements for Local Government Institutional Capacity Self-Assessment at the local level.				Local Government Institutional Capacity Self-Assessment system (LISA) is implemented.	Implemented from FY 2077/78	
	4.2.2	The Ministry will implement the Fiduciary Risk Reduction Action Plan at the province and local level				Fiduciary Risk Reduction Action Plan is implemented at the province and local level	Not in place	

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
5. Internal Revenue Management systems and capacities are established and strengthened at all levels of government								
5.1 Revenue Management								
<u>Responsible Agency</u> : Ministry of Federal Affairs and General Administration	5.1.1	Establish/activate Revenue Estimates Committees in the Provinces and Local levels, and implement institutional strengthening efforts.				The Revenue Estimates Committee will be active and strengthened in the province. Revenue Estimates and Resource Estimates Committees will be active at the local level.	Committee in place	Committee in place and functioning
	5.1.2	Prepare and distribute Revenue Improvement Action Plan (RIAP) to local governments and implement capacity development efforts to increase the internal revenue at the local level.				The Ministry will have prepared the Revenue Improvement Action Plan and working procedure related to revenue projection and made it available to the local level.	Revenue Improvement Action Plan (RIAP) guideline	80 LGs have RIAP Prepared

Expected Outcome/Responsible agency	Major Activities		Annual Implementation Activities (FY)			Indicator/ Result	Baseline	Progress upto October end 2021
			77/78	78/79	79/80			
							available	
	5.1.3	Resource will be secured for the program.				The Government of Nepal will provide the committed amount for the program. Development partners will provide funds for the program as per their commitment.	In place	Continued in place

9. Fiduciary Risk Reduction Action Plan Implementation, Monitoring, Reporting and Learning

FRRAP of PLGSP will be implemented through the institutional mechanism set up for the implementation of the programme at the federal and provincial level. Role of PCGG, PPIU and PCU in the implementation of improving the financial management plan has been reflected. The baseline information against the expected results have been established which will be the base to measure and report properly the progress on the expected result afterwards. The monitoring and result measurement will be the integral part of the monitoring evaluation and learning framework of the PLGSP and thus will be an explicit aspect of the MTR. The learning of the PLGSP will be helpful to provide inputs in the process of updating the PFM Reform Strategy by FCGO.

PCGG and PPIU will provide technical backstopping to the local and provincial government respectively for effective implementation of FRRAP. PPIU will facilitate FRRAP implementation committees at the province level, PCGG at the local level and the PCU at the federal level. PPIU/PCGG/PCU will document progress, issues and learning of FRRAP implementation through routine reporting system and share with committees at different levels and development partners for review and inputs to improve on a timely manner. Further, PLGSP will report to the National Advisory Fiduciary Risk Management Sub-committee for review and policy suggestion, a dedicated sub-committee provisioned in the JFA to oversee and suggest Fiduciary Risk Reduction strategy to the PLGSP. JFA, DP can also be part of the regular update meetings on FRRAP that takes place before six monthly advisory meeting.

Smooth coordination with key relevant government institutions and stakeholders will be maintained. Representation of the key government institutions is ensured in the FRRAP implementation committee, for example Joint Financial Controller/FCGO and Chief Provincial Controller/PTCO participate in the federal and provincial FRRAP implementation committee respectively.