

Compliance Unit
Compliance and Ethics Sub-Committee
Alternative Energy Promotion Development Board

1st Compliance Report

31 July 2018

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1 Executive Summary

The overall purpose of the Compliance Unit is to provide oversight of financial activities, quality assurance of implemented activities and capacity building in public financial management of AEPC. The Compliance Unit has one Finance Expert for the day to day operation of the unit's activities. The unit based on the necessity hires external consultants. This is the first Compliance Report post institutionalization of the unit by AEPC. Previous NRREP Compliance Unit Reports are as follows:

- 1st Compliance Unit Report covered reviews carried out in the period January – October 2013.
- 2nd Compliance Unit Report covers reviews carried out in the period November 2013 – November 2014
- 3rd Compliance Report covers reviews carried out in the period December 2014 –December 2015.

This report summarizes the main findings, recommendations and the current status final report of OAG, OAG preliminary findings of the previous 3 fiscal years, FCGO findings of the previous 3 fiscal years, 3rd NRREP Compliance Report and the activities conducted by the Compliance Unit (CU). In terms of status of internal audit for the fiscal year 2071/72, 72/73 and 73/74, out of 17 issues identified by the internal audit, status as on 31st July 2018 depicts 14 issues have been closed with 3 remaining. In terms of preliminary findings of OAG, the final report of OAG has identified 7 major concerns for the fiscal year 2073/74. Out of 30 issues identified in the 3rd compliance report, 22 issues have been settled with other issues in progress. The findings of compliance unit, mainly the issues raised in the IT audit of the software are open. Details of all the issues are given in the respective sections. The summary of the major findings are as per follows:

1.1 Legal Status of AEPC

AEPC is institutionalized under the Development Committee Act 2013. As reported by the OAG final report, "An institution set up as the focal point in renewable energy technologies and mobilizing extensive support receive from development partners should be made sustainable with robust legal foundation." The process for obtaining sustainability has been initiated. Ministry has formulated a draft committee for the preparation of renewable energy promotion bill and the committee has prepared the draft and it is on final stage to send in cabinet for the approval from parliament.

1.2 CREF

In terms of CREF fund management, CREF has also completed the process of fund management via competitive call on liquidity management. CREF has selected a total of 13 banks for liquidity management. NMB being the current handling bank holds more than 50% of the fund amount at 8.5% interest rate. The rest of the amount is divided among 12 partner banks with interest rate ranging from 11% to 11.15%

1.3 Monitoring, Penalty and MRS (Monitoring and Reporting System)

Investigation conducted by the Compliance Unit and the findings of OAG suggest increment in deviations reported and penalty amount, hence a clear policy on de-registration of companies needs to be developed and implemented in case of defaulters. In the case of Monitoring and Reporting System, with the software not in function currently, potential risk due to the inevitable circumstances leading to manual penalty calculation needs to be minimized. AEPC should initiate the process to either re-instate the previous software based on the recommendation of IT audit or develop a new software.

1.4 Subsidy Application Management System (SAMS)

The software in operation for the administration of subsidy applications as shown by the IT audits has different issues that need to be resolved. One of the concerns is the lack of documentation of software, which is vital for knowledge transfer and ultimately the sustainability of the software. The lesson learnt from Monitoring and Reporting System needs to be implemented in SAMS to avoid such risk in the future. Hence, AEPC should initiate this process so in the case of future staff turnover, institutional memory of the software remains at AEPC and the software operates without interruptions.

Beside these the final findings of the 55th OAG Annual Report presented in Section 2 presents the major remaining concerns of the Office of Auditor General post submission of preliminary report and reviewing AEPC management response.

2 Findings of 55th OAG Annual Report, 2074

The final findings of the 55th OAG Annual report, 2074 is given below:

2.1 Budget

The total budget of AEPC for the fiscal year 2073/74 was NPR. 6,275,800,000/-. Total expenditure during the year was amounted to NPR. 3,879,200,000/-

2.2 Progress Status

Total 18% of total populations have electricity access from projects implemented by AEPC during different financial years in micro and small hydro and solar power. More than 3.5 million households have benefited from the use of different renewable energy technologies. As per documents provided by AEPC, the projects status is:

Programme	Units	Progress upto FY 2073/74
Biogas Plant Installation	Number	380,432
Large Biogas Plant installation	Number	88
Micro and Small Hydro Electricity Generation	Kilowatt	29,457
Household Solar Home System	Number	794,276
Improved Cook Stove Installation	Number	1,343,242
Improved Watermill Installation	Number	10,654
Improved Metallic Stove	Number	41,090
Institutional Solar Electricity System	Number	1,701
Solar Mini Grid System	Kilowatt	65

2.3 AEPC's Sustainability and Legal Status

AEPC is institutionalized under the Development Committee Act 2013. An institution set up as the focal point in renewable energy technologies and mobilizing extensive support receive from development partners should be made sustainable with robust legal foundation.

2.4 Expenditure in projects implemented by other institutions

For Solar Drinking water Project "MajuwaBagarKotedada of Sindhupalchowk District" World Vision International Nepal, JanahitGraminSewaSamiti and the User Committee had an agreement of NPR.12,849,283.81/- for Solar Drinking Water Project. AEPC has made contribution to the project amounting to NPR. 4,000,000.00/- from the budget head Capital Research and Consultancy (29711) signing an agreement withJanahitGraminSewaSamiti, World Vision International Nepal and User Committee. It is irregular to release fund from the said expenditure head where an NGO has contractual obligation to complete the project.

2.5 Subsidy Disbursement

The Government subsidy distribution process should be fair and transparent to all the related parties. As per clause 14 of Renewable Energy Subsidy Delivery Mechanism 2073, additional subsidy could be provided to those projects which remain incomplete due to technical and financial problem. The Centre received application from 28 Micro Hydropower projects and 20 Micro Hydropower projects have been provided subsidy amounting to NPR 51,794,107.50/- as first installment. However, AEPC did not publish notice for demand collection and preparation for the collection of name list did not take place. No proper justifications for selection of projects have been provided by the Subsidy Committee. Due to the lack of accountable and transparent policy for the subsidy delivery, there remain possibilities of ineligible projects accessing the additional subsidy fund. It is recommended that AEPC should formulate the procedures for collection for application for subsidy via public notice, preparation of list and selecting the projects that have met the criteria in order to make the subsidy distribution mechanism fair and transparent.

2.6 Clean Development Mechanism

For minimization of smoke and carbon emission, AEPC received NPR.557,511,013.33/-in the previous year and NPR.110,021,679.10/-in the current year from carbon trading; total NPR.667,532,692.43/- has been deposited in to the carbon fund. No expenses have incurred from the fund. As per the clarification from AEPC, the mobilization guidelines for the fund have been formulated; however, since the approval on the procedure is yet to be obtained, the fund has remained unutilized. This was noted in the previous report but the status of approval has not improved in the current the fiscal year as well, however the status of approval is same in the current fiscal year. Hence for effective utilization of above fund, necessary action needs to be performed.

2.7 Monitoring and Penalty

As per Section 5.1.3 of Renewable Energy subsidy Delivery Mechanism 2070, random sampling monitoring of at least 10% solar home system installed byvarious installation company is to be conducted via Third Party Monitors. There is provision of penalty of 5%, 50%, 100% & 200% as well as removal of registration on severe condition. All together 62 companies has been fined amounting to NPR.47,851,809/- for non-compliance of the Subsidy Delivery Mechanism based on the monitoring results ofthe third parties in 2014/15 and 2015/16. Additionally, all together 155biogas companies havebeen fined NPR.18,320,000/- for non-compliance of the Subsidy Delivery Mechanism based on the monitoring results of the third parties in 2014/15 and 2015/16. Total penalty amounts to NPR.66,172,000/-, the increment in penalty amount is alarming, hence review of the percentage of sample taken and clear policy on de-registration of companies needs to be developed.

2.8 CREF Fund Management

In the S.N 7.1 of Financial Intermediation Mechanism of CREF for the operation of fund of project the insolvency of bank is also defined. In the case of insolvency of bank the fund will have greater risk, hencediversified portfolio of the fund for minimization of risk is essential .Global IME bank has been selected for working as handling Bank .The total bank balance is NPR.4,635,973,000/- out of which the handling Bank Global IME bank has NPR.4,407,973,000 which is 95.03% of total fund amount. Investment should be diversified to obtain gain from the differential interest rate and risk due to deposit in single bank

2.9 Value Added Tax

As per memorandum of understanding (MOU) between Government of Nepal (GoN) and DANIDA dated 1st December 2012 to implement National Rural &Renewable Energy Programme (NRREP) ,the portion of VAT out of the total payment made by the programme will be refunded to the NRREP Fund. As per this clause, upto last year VAT refundable of NRs.27,301,844.29/- and this year'sNRs.24,882,409.64/-total VAT

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refund amounts to NPR.52,184,253.93/-. NPR.34,048,264.93/- has been received and balance amount of vat receivable of NPR.18,135,989/- is yet to be received. The remaining VAT amount should be refunded.

2.10 Unsettled/Arrear Amount of AEPC

As per the Annex 1 of the OAG 55th Annual Report , the amount of arrears is NPR. 136,261,000/-.

3 Introduction

An Independent Compliance Unit was established for the National Rural and Renewable Energy Program (NRREP) to provide independent information and evidence to management and steering committee through lead donor on the adherence of the program with GoN and Program's rules, oversight activities and improvement recommendation on project/program implementation. AEPC has institutionalized the Compliance Unit across the entire organization through the decision of the Board dated 04/01/2016 AD (20/09/2072 BS) to serve the oversight function for AEPC and to ensure the adequacy of internal controls at the institutional level. The oversight of the Unit shall be done by a sub-committee "Compliance and Ethics Sub-committee" headed by one Board member to oversee the internal control, ethics and internal audit of AEPC. Other members of the sub-committee shall be from the Ministry, the Under-Secretary from the Finance Department and the Under-Secretary from the Legal Department, independent of their position in the Ministry. AEPC will support the Board in hiring the experts (financial and/or legal) for the day to day operation of the Compliance Unit and external consultants to carry out the compliance reviews. The Compliance Unit through the sub-committee directly reports to the Board on a periodic basis highlighting the improvement needs to ensure proper functioning of the internal controls.

The Compliance Unit is responsible for quality assurance of all financial management, programming and control system of AEPC. It conducts random quality assurance/compliance audits. The Unit also advises AEPC on how systems and procedures can be improved. The main purpose is to provide assurance and advisory services concerning:

- Effectiveness of operations of internal control
- Effectiveness of risk management system
- Compliance with laws, rules and regulations
- Adequacy of accounting and record keeping
- Economy, efficiency and effectiveness of activities and operations
- Accountability and transparency in decision making processes
- Special review and investigations

The responsibilities of Compliance Unit are as follows:

- Prepare annual plan for monitoring and quality assurance by preparing a calendar for compliance reviews to be carried out during the year
- Prepare scope of work to hire external consultants to carry out the compliance reviews
- Shortlist and contract external consultants for compliance reviews

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- Monitor the work of external consultants and review the reports submitted for compliance reviews conducted during the year
- Conduct random quality assurance/compliance audits in the CREF Handling Bank and in the Prequalified Partner Banks
- Regular reporting to AEPC Board on key findings of the compliance reviews
- Provide capacity building support by providing guidance in respect of financial management capacity by providing advise on improvement on the basis of compliance audit findings
- Follow up on audit findings and review the progress against action plan finalized in response to audit findings
- Report to AEPC Board on the progress against action plans
- Review of the AEPC's financial policies and procedures and their updates
- Ensuring familiarization of rules and regulations to employees and compliance professionals,
- Maintaining proper communication, internal monitoring, standard enforcements for AEPC.

4 Findings/Recommendations, Response and Status of OAG Preliminary Reports

4.1 Preliminary Report 2073/74 (2016/17)

S.No ¹	Issues/Findings	Raised	Status as on 26 th February, 2018 based on OAG Preliminary Report	Management Response	Status as on 31 st July, 2018 based on Follow-up via Compliance Review
Human Resource					
3&4	Operations needs to function based on the organizational structure, management as well as division of work as per rule 45(j) of Financial Procedure Rules 2064. For smooth daily operation of the AEPC, 54 employee quotas have been approved. Out of which 46 positions has been fulfilled and 8 remains vacant. This affects daily operation overall	2017	Open	Albeit the vacant positions, AEPC has been able to successfully deploy the existing workforce. Daily operations, comprehensive target achievement, monitoring and evaluation have been conducted on time. Hence, the vacant positions have not affected AEPC's operation gravely. However, AEPC is aware of this situation and will immediately coordinate with the line	No serious implication on the overall operation of AEPC is seen but as per the recommendation from OAG the process for fulfillment should be initiated.

¹ The S.No refers to the exact serial number as in the OAG's preliminary report

	achievement.			ministry to initiate the process.	
5.	<p>Capital expenditure: Quarterly targets need to be set and implemented based on the annual budget and programme. Out of the annual total expenditure NPR.3,878,865,895.90/-; 22.06%, 24.53% and 53.41% of the total expenditure has been incurred during first, second, and third quarter respectively. In a single month of Ashad,NPR.152,088,2741.45/- i.e. 39.21% of expenses has been incurred. Even though the Centre had received the authority to spend on time, the trend of incurring major portion of the expenditures in the last quarter ultimately hampers quality and progress of the project.</p>	2017	Open	<p>In the case of mini hydro projects, post completion of construction AEPC conduct power output verification which takes place during the rainy season (Baisakh,Jestha and Asadh). Since the payment is made after the completion of power output verification, the expenditure related to micro hydro projects are bound to be on the higher side during the third quarter. Similarly biogas related activities also takes place during the third quarter.</p> <p>AEPC aims to develop a budget implementation work plan to minimize the trend of high spending during the third quarter.</p>	<p>As per the discussion with AEPC, besides the given management response, the tendering and bidding process is also one of the main reason behind the delays. AEPC prepares the annual work plan which constitutes of activities at the respective trimester level.</p>
Internal Control System					
6.	As per rule 95 of Financial Procedures	2017	Open	a. AEPC's financial procedures are	a. AEPC will

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<p>Rules, 2064 and other prevailing laws, mechanism for internal control system, risk assessment and identification, monitoring and evaluation needs to be developed based on the nature of work. On assessment of internal control system, following points were noted:</p> <p>a. AEPC has not prepared programme-wise expense account. Programme-wise expenses ledger must be maintained to ensure budgets are spent on the allotted headings and within the limit.</p> <p>b. As per rule 36(8) of financial procedures rules, 2064, “examination shall be made whether the requirements have been met or not, while making payment of any sum”. All the receipts, bills and vouchers of the expenditure indicating "PAID" shall be affixed but AEPC have not complied with this rule.</p> <p>c. Expenditure has been made from different expenditure head without proper clarification.</p>			<p>governed by the Financial Procedures Rules, 2064. AEPC maintains a consolidated record of its annual programs. To strengthen the recording process, AEPC commits to maintain Program Wise Ledger.</p> <p>b. This was due to high volume of work. AEPC will comply with the rule relating to 36(8) affixing PAID stamp in future</p> <p>c. Majority of the expenditures are made from the allocated budget heads. Obscurity on program budget has led to this anomaly. AEPC ensures that in future the expenditures will be made in transparent manner with detailed clarifications.</p> <p>d. Advance ledger has been updated.</p>	<p>maintain the program-wise ledger from now on.</p> <p>b. AEPC will comply with the rule relating to 36(8) affixing PAID stamp.</p> <p>c. AEPC ensures that the expenditures will be as per the budget code/heads provided by Ministry of Finance.</p> <p>d. Advance ledger has been updated</p>
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	d. Advance account has not been updated.				
7	Advance Account have not been updated: AEPC provides advance amount to different individuals and firms to execute different programme, such amount should be accounted to the concerned party as advance and settle from same account. But while checking books of account, it was found that the advances paid has been directly booked as expenses. Therefore, there is a need to prepare and maintain appropriate advance Account. Thus for the proper book keeping of advance account and payment of advance should be recorded in the advance column of bank/cash book.	2017	Open	Advance Account/Ledger has now been updated. The advance ledger has been reconciled with bank cash book; the advance ledger now contains actual figures on advance disbursement and settlement.	Closed
8.	Annual targets and progress: As per rule 25 of financial procedures rules, 2064, "Each Office which implements the budget and the programme shall prepare quarterly progress report in prescribed format and forward it to the pertinent superior office and to the Funds and Accounts Comptroller Office and to the District Development Committee as well, in the case of a district-level	2017	Open	The overall progress of AEPC is 98%. In case of construction of office building (capital expenditure) as AEPC is yet to receive land from the Government of Nepal to construct the building, expenditure did not occur resulting in zero progress. The low progress of the remaining current	AEPC remains on rented property since the GoN is yet to provide land to AEPC. This has resulted in expenditure being "Nil" on the respective budget head.

<p>programme.” And as per rule 26, upon receipt of the quarterly progress report under Rule 25, the pertinent superior office shall appraise the physical and financial aspects. The report provided by AEPC has depicted overall 98% progress but some programmes shown below have not met the desired targets.</p> <p>In the progress report, capital expenditure on Office Building Construction amounting to NPR.1,000,000/- has zero progress. Current expenditure programme on Urban Area Biogas Plant Installation amounting to NPR. 875,000/-and Vehicle Battery Charging Station from Solar Power amounting to NPR. 32,500,000/- have made zero progress.</p> <p>Current expenditure programmes on Additional Subsidy to Sick Rural Hydroelectricity Project (NPR. 100,000,000/-), SahaleshLumbini Improved Cook Stove and Solar Electricity System Installation (NPR. 10,001,000), Feasibility Study for Wind Power (NPR. 500,000/-) and New Turbine Pilot Project Study (NPR. 6,000,000/-) have progress of 20%, 33.33%, 40% and 50% respectively. It has been observed either “Nil” or “Very</p>			<p>expenditure programmes were due to lack of promotional activities, low public participation and lack of interest and awareness among the targeted groups.</p> <p>AEPC will analyze these aspects that have resulted in low progress and will improve program modalities in future with more focus on the need and demand of the public.</p>	<p>The other programs is affected due to the low demand from community and beneficiaries.</p>
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	Low” progress in the first quarter though AEPC had obtained spending authority.				
9.	<p>Expenditure Head: As per Rule 35 of Financial Procedures Rule 2064, the competent Authority empowered to make expenditure or sanction expenditure, and shall make expenditure & sanction to make expenditure, where the amount is within the approved budget and falls under the concerned expenditure heading. Consultancy service expenses should be shown from account head 22411 and other service under contract should be shown from account head 22412.</p> <p>AEPC has expended remuneration of employees/consultant under contract amounting to NPR.1,188,520/- from voucher no. 453/074/3/16 as programme expenditure and capital grants/subsidy to other organization and individual under account head no. 26423. This practice hampers the overall effectiveness of the program and the true & fairness of the financial statement.</p>	2017	Open	<p>To fulfill various requirements in the field of renewable energy, various thematic specialists and experts are hired on contractual basis. AEPC to its’ full extent has been spending from the allocated budget heads and there has been no implication on the true and fairness of the financial statements.</p> <p>However, to address the issue raised AEPC in future will furnish detailed requirements of human resources during the planning process of these programmes and budget heads.</p>	AEPC ensures that the expenditure will be as per the budget heads with detailed description of the related activities.
Solar					
10. Institutional solar panel system: For installation of solar panel system in schools and health posts, cost estimate was prepared amounting to					

NPR.59,828,450/- for 15 units. Tender of SuryaRoshani Industries Pvt. Ltd and Birat Energy Pvt. Ltd amounting to NPR.45,253,694/- was approved. Following are the findings in the disbursement of payment to the company.

10.1	For installation of Institutional Solar System, AEPC provides 60% subsidy of total investment and the beneficiary should bear 40%. On the basis of nature of institution, AEPC has separated NPR. 497,882/- for Package 1 and NPR. 859,352/- for Package 2. While preparing the cost estimate, in case of Package 1 NRs.127,690/- for different electric products/appliances such as 2 desktop computer, 1 printer copier, internet, fax and other appliances and in case of Package 2 NPR.212,440/-for different electric products/appliances such as 5 desktop computers, 1 Printer Copier, internet, fax, and other appliances are seen as the cost/equity of the beneficiary. These institutions have not been selected on the basis of the	2017	Open	<p>As per the approved annual programmes/budget of AEPC to expedite the program on Installation of Solar for improvement in quality of the services provided by schools and health posts, the total area was divided into 15 clusters based on the geographical region and the programme was conducted by forming 2 packages. In the case of evidence relating to the electronic equipment, as the beneficiary institutions lack these equipments, applying the requisite procurement procedures these equipments were provided to these institutions. The issue arose as these information were not duly recorded in the Subsidy Application Form</p> <p>The subsidy provided has been utilized effectively and AEPC commits that the recommendation will be duly followed in</p>	AEPC commits that the recommendation will be duly followed in future.
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	evidence that the said items are actually in the possession of the beneficiaries. Subsidy should be provided only after obtaining proper evidence of possession.			future.	
10.2	As per the section 89(1) of Income Tax Act, 2058, tax at the rate of 1.5% shall be withheld on payment for contract. However, we observed that the company was withheld less tax on contract payment. In case of V.N. 541/2074/3/19, payment made to Surya Roshani Industries Pvt. Ltd. and Birat Energy Pvt. Ltd. JV, out of total tax to be withheld amounting to NPR. 662,436/-, only NPR.391,931/- was withheld. Hence, the difference amount of NPR.270,505/- must be recovered.	2017	Open	NPR. 270,505/- will be recovered from Surya Roshani Industries Pvt. Ltd. and Birat Energy Pvt. Ltd. JV and AEPC will submit the bank deposit voucher of the recovered amount.	NPR. 270,505/- has been recovered but the bank deposit voucher could not be ascertained.

11. Solar Tuki Distribution:- Under the programme "Light for Education", for providing solar tuki to 25,000 students of class 9 and 10 of deprived/disadvantaged, dalits and marginalised family, budget amounting to NPR Ten Crores was allocated. For distribution of 10 watt solar tukis, tender of NPR.88,547,350/- for package 1, 3 and 4 was awarded to Surya Roshani Industries Pvt. Ltd. to purchase 24,665 solar tuki. Another tender of

NPR.8,527,365/- for package 2 awarded to S.L. Solar Asia Pvt. Ltd. to purchase of 2,415 solar tukis. Total amount of NPR.97,074,715/- has been paid.

The procurement of the solar tukiis shown below:

11.1	<p>Variation: To prepare the estimate of number of targeted students for providing 10 watt solar tuki to them, “District Environment, Energy and Climate Change Section” of District Development Committee coordinated with District Education Office. Total demand of 24,620 units of tuki for all 75 districts for the targeted student of class 9 and 10 was received. Estimated at NPR.4,047.50/- per unit, total estimated budget amounted to NPR.99,649,450/-. The tenders have been approved citing that the quotation received was lower than the estimated amount. During the contract signing as the schools demanded extra units of tuki, 10% i.e 2,462 tuki, it was included in the contract citing that the quotations received had been lower than the total estimate. However, the list of additional students was not available for verification. The additional payment made to the supplier amounting to NPR.8,838,580/-(per unit cost</p>	2017	Open	<p>As AEPC received the additional demand of 2,462 marginalize and deprived students stating that these students were missed during the first count. Under social obligation AEPC distributed the additional tukis as per the pre-approved rates. The records of the additional distribution were maintained in the disbursement detail provided.</p> <p>The additional distribution is provided within the limit of the estimated budget and on the approved rates as per the contract, furthermore this has resulted in concession to students of deprived, disadvantaged and dalit families.</p>	<p>AEPC will prepare the necessary documents and submit the request to the concerned ministry for to regularize the additional cost incurred.</p>
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	NPR.3,590/-) is not regular.				
11.2	As per section 89(1) of Income Tax Act, 2058, 1.5% tax has to be deducted while payments are made for contracts or agreements. While checking the payment made to the suppliers of solar tuki, TDS amounting to NPR.167,517.61/- has not been deducted, this amount needs to be recovered.	2017	Open	Total of NPR. 167,517.61/- will be recovered from Surya Roshani Industries Pvt. Ltd. (NPR. 152,802.25/-) and L S Solar Asia Pvt. Ltd. (NPR. 14,715.36/-). AEPC will submit the bank deposit voucher of the recovered amount.	The amount from L S Solar Asia Pvt. Ltd. (NPR. 14,715.36/-) via deposit slip no. 1429375 of Nepal Bank Limited dated 04/01/.
12.	Lower amount of TDS deducted: As per the section 89(1) of Income Tax Act, 2058, tax at the rate of 1.5% shall be withheld on payment for contracts; however, we observed that the Centre has withheld less tax on contractual payment. Tax to be withheld NPR.839,436/- but in actual tax withheld NPR.750,129/- and lower TDS amount is NPR.89,307/-, which needs to be recovered.	2017	Open	Total of NPR. 89,307/- will be recovered from Surya Energy Pvt. Ltd. (NPR. 29,275/-), Omni Business Corporate International Pvt. Ltd. (NPR. 27,200.50/-) and Simex Inc. Manaslu Energy Pvt. Ltd. JV. (NPR. 32, 831.50/-). AEPC will submit the bank deposit voucher of the recovered amount.	Closed. The amount has been recovered from Surya Energy Pvt. Ltd. (NPR. 29,275/-) via deposit slip no. 2786936 of Nepal Bank Limited dated 06/02/2018, Omni Business Corporate International Pvt. Ltd. (NPR. 27,200.50/-) via

					deposit slip no. 1429376 of Nepal Bank Limited dated 03/01/2075 and Simex Inc. Manaslu Energy Pvt. Ltd. JV. (NPR. 32, 831.50/-). via deposit slip no. 1428787 of Nepal Bank Limited dated 04/01/2075.
13.Solar Irrigation System Subsidy AEPC has provided subsidy of NPR.30,526,826/- to 49 farmers under solar irrigation system programme. Findings related to subsidy are mentioned below:					
13.1	Cost Estimation: For solar education system, AEPC provides 60% of total cost as subsidy. While checking the bill and voucher of service provider, Sole Tronics Pvt. Ltd. has charged NPR.136/- per watt per solar panel. But as per the cost estimation of AEPC, cost per watt per solar panel is NPR.80/- per watt. During the year Sole Tronic Pvt. Ltd. has installed 49 systems with total watt of	2017	Open	The price variation is due to the difference in solar systems used for irrigation and schools. The freight charges also vary between solar irrigation systems and solar systems for school mainly due to the inferior road conditions predominant at the project sites of solar irrigation system.	The activities were accomplished applying least cost based selection procedure after a competitive bidding process. The irrigation program was a new concept which resulted in

	<p>74,772 at the rate of NPR. 136/- amounting to NPR. 101,689,92/-. Based on the cost estimation of NPR.80/- per watt, NPR.4,187,232/-additional cost has been paid to supplier which increases the subsidy of GoNby NPR.2,512,339/- and the beneficiary byNPR.1,674,893/-.The cost estimation should be prudent and economical and further the selection should be based on competition and least cost based method.</p>			<p>Both activities were accomplished applying least cost based selection procedure after a competitive bidding process. Furthermore, this programme was first of its kind for the GoN and the Centre. Hence, it cannot be concluded that the GoN and the beneficiaries have borne additional financial burden. However in future AEPC will plan effectively while planning this kind of activity</p>	<p>deficiency during the cost estimation.</p>
13.2	<p>Recording:AEPC has to prepare database of the individuals and institution that have availed subsidy for solar irrigation system to control occurrence of double subsidy disbursement to same person/institutions. AEPC has not prepared any record of the person who have availed subsidy in case of solar irrigation systems. To control and minimize the risk of multiple subsidy disbursement to same individual/institutions, AEPC needs to maintain records in the software used by AEPC for subsidy administration and</p>	2017	Open	<p>Though the module of solar irrigation is not available in the centre's subsidy administration software, area based records available at AEPC automates the control mechanism. There is no risk of double subsidy disbursements to individuals or institutions. However AEPC plans to integrate the solar irrigation system module in the subsidy administration software in the future.</p>	<p>Area based records automates the control mechanism.AEPC plans to integrate the solar irrigation system module in the subsidy administration software in the future.</p>

	producerecent records				
<p>14. Solar Street Light:On the basis of recommendation made by local bodies and work completion report of 17 different installer companies, AEPC has disbursed NPR.67,662,207.89/- for installing solar street lights in 29 local levels. Findings related to subsidy are mentioned below:</p>					
14.1	As per the section 5.2 (GHA) and 5.2 (JHA) of Renewable Energy Subsidy Delivery Mechanism, 2073, on the basis of the feasibility study report, AEPC has to sign agreement/MoU with local bodies and disburse payment to the installer company on the basis of handover and technical inspection report prepared by the technical team deployed by AEPC for system inspection and transfer. While making payment, AEPC have not collected appropriate supporting documents regarding the handover of such solar street light.	2017	Open	As per the Renewable Energy Subsidy Delivery Mechanism, 2073, payment shall be made post completion of the work, successful power output verification and recommendation from the local bodies. Since the project after the power output verification is considered handed over to the beneficiary, separate process for handing over was not deemed necessary.	Since the project after the power output verification is considered handed over to the beneficiary, separate process for handing over was not deemed necessary.
14.2	The portion of payment to be borne	2017	Open	Based on provision 5.2(gha) of the	AEPC aims to make

	<p>by AEPC is not mentioned in the agreement between local body and installer of the solar street light, this creates the risk of double payment. Hence subsidy should be provided to the contracts which clearly mention the amount to be borne by AEPC</p>			<p>agreement with the local bodies, the disbursement was made after the technical team of AEPC completed the handover and furnished technical verification report. With direct involvement of the local bodies, the possibility of double subsidy disbursement is nullified.</p> <p>As per the recommendation, AEPC aims to make amendments in the Renewable Energy Subsidy Delivery Mechanism, 2073 and agreement/contract formats which will clearly state the portion to be borne by AEPC.</p>	<p>amendments in the Renewable Energy Subsidy Delivery Mechanism, 2073 and agreement/contract formats which will clearly state the portion to be borne by AEPC.</p>
15.	<p>Excess Payment: NPR.20,000/- have been paid in excess to Baraha Govergas Tatha Nabikaraniya Urja Pvt. Ltd. The amount should be recovered.</p>	2017	Open	<p>The total payment to be made to Baraha Govergas Tatha Nabikaraniya Urja Pvt. Ltd. Was NPR. 1,870,000 but NPR. 1,890,000 was paid resulting in excess payment of NPR. 20,000. The excess amount has been recovered and deposited into Nepal Bank Limited, Gabahal via Voucher No: 3116556</p>	Closed

				dated 2074/11/13.	
16.	<p>Consultancy Service Directly Purchased:As per the rule 70 of Public Procurement Regulations 2064,procurement of consultancy service exceeding NPR.1,000,000/- shall be made through open expression of interest only. In the current fiscal year,via expenditure heading “Other expenses”,AEPC has procured consultancy services amounting to NPR.2,477,007/-from various service providers staying within the limit of direct procurement threshold of NPR. 500,000/- for monitoring of improved metallic cook-stoves provided to earthquake victims as below. On the basis of nature of the consultancy service to be acquired, this service can be acquired from a single consultant. The payment is not regular.</p>	2017	Open	Adhering to the GoN’s policy on effective and effective distribution of relief to the earthquake victims, AEPC conducted the activities on a cluster based approach. Rather than selecting a single firm to do the task, AEPC adopted the cluster based approach and divided the task among various suppliers to achieve efficiency.	<p>AEPC adopted the cluster based approach and divided the task among various suppliers to achieve efficiency.</p> <p>AEPC will prepare the necessary documents and submit the request to the concerned ministry for to regularize the additional cost incurred.</p>
17.	<p>Payment made without Invoices/Supporting documents: NPR. 1,710,400 disbursed to the various parties without obtaining relevant supporting</p>	2017	Open	The disbursements made to Sun Power Pvt. Ltd amounting to NPR. 800,000/-, Subway Engineering Consultant Pvt. Ltd. amounting	The supporting documents which were misplaced are yet to be

	document. Concerned employee disbursing the amount with supporting document should be made responsible.			to NPR. 412, 450/- and T.U. Engineer Urja Kendra amounting to NPR. 497,950/- (Grand Total NPR. 1,710,400) was based on the invoice and other supporting documents. The supporting documents were misplaced when the respective component/section had taken the documents for study purposes. AEPC will search the misplaced documents and submit them.	found.
18.	Travelling Allowances: As per rule 7 (4) of Travelling Expenses Rule 2064, there is provision to pay 25% of daily allowance on returning day of field work outside of office, however it has been found that payment of 50% of daily allowance has been made. So excess allowance paid NPR.10,500/- has to be recovered	2017	Open	The excess amount has been recovered and deposited into Nepal Bank Limited, Gabahal via Voucher No: 1215979 dated 2074/11/13.	Closed
19.	Advances: Advance taken must be settled or accounted within stipulated time as per rule 74(3) of Financial Procedures Rules, 2064, we observed	2017	Open	The advances provided to Husk Power Nepal and Galwa construction services Pvt.ltd amounting to NPR. 2,176,967 and BiratEnergy Pvt. Ltd, amounting to NPR.	Open

	that the advance of NPR.2,346,905/- have not been settled yet.			169,938 (Grand Total: NPR. 2,346,905) is according to the stipulated provisions of the contract agreement with the suppliers. The advance amount will be settled post completion of the work.	
Alternative Energy Promotion Centre – Capital (3311084)					
20.Consultancy Service Expenses: AEPC has allocated NPR. 10,300,000.00 as capital research and consultancy service (29711) for solar irrigation project					
20.1	Expense Head: As per rule 35 of Financial Procedural Rule 2064, based on theGoN classification of expenses, programme implementation expenses to be incurred from “programme expenses(22522)” and feasibility and research related expenses to be incurred from “capital research and consulting expenses (29711)”. Instead of utilizing	2017	Open	The projects are research related and since the involvement of private sector and other agencies and institutions meant encouragement to the private sector and cost sharing between AEPC and other institutions, co-ordination with other institutions seemed appropriate.	AEPC in future aims to implement research related programs by itself and if deemed necessary will include sector specialist to make the program more effective.

	<p>the fund for the purpose of researching new method and technologies, AEPC has allocated the fund received for Capital research and consultancy (29711) service to fund the project implemented in coordination with other institutions. Utilizing budget allocated for research and consulting in subsidizing projects is not appropriate. This practice should be discontinued.</p>				
20.2	<p>Expenses on projects implemented in coordination other institution: For Solar Drinking water Project “MajuwaBagarKotedada of Sindhupalchowk District” World Vision International Nepal, JanahitGraminSewaSamiti and the User Committee had an agreement of NPR.12,849,283.81/- for Solar Drinking Water Project. AEPC has made contribution to the project amounting to</p>	2017	Open	<p>Based on the agreement between World Vision International Nepal, JanahitGraminSewaSamiti and the User Committee that had cost estimation of NPR. 12,849,283.81/-, AEPC made a contribution of NPR. 4,000,000.00/- .In this scenario, if AEPC was the sole contributor the total amount to be borne by AEPC would have been NPR. 12,849,283.81/-. Hence, contributing to the activity resulted in introduction of new technology, larger public</p>	<p>Open Based on the Final Report 2074 of OffieAuditor General as Principle Irregularities.</p>

	<p>NPR. 4,000,000.00/- from the budget head Capital Research and Consultancy (29711) signing an agreement with Janahit Gramin Sewa Samiti, World Vision International Nepal and User Committee. It is irregular to release fund from the said expenditure head where an NGO has contractual obligation to complete the project.</p>			<p>participation and ownership and reduced the cost of GoN. Thus, with lower investment, AEPC was able to complete a project based on new technology enhancing the living condition of general public. This project has created a positive impact and has been economical. Furthermore, the involvement of the said institution was a result of a coordination facilitated by the District Drinking Water Office, Sindhupalchowk.</p>	
<p>3311223/4 Improved Rural Energy Service Programme (Kabeli Transmission Project): The agreement between GoN and IDA on 27 June 2011 (Grant No H676-NEP) to complete the Kabeli Transmission Project within 30 June, 2015 was extended till 16 June, 2016. It was agreed to provide SDR 24,000,000.00 (In words: 24 million) out of which SDR 17,300,000 in first installment; SDR 5,800,000 in second installment and SDR 900,000 in final installment was set as the disbursement mechanism. It was mentioned that the amount received in first and second installment to be utilized by Nepal Electricity Authority (NEA) and the third installment by AEPC. A programme to promote alternative source of energy was conducted to the persons affected by transmission line under the programme of Rural Enhancement Energy Services to communities, Third Phase of Kabeli Transmission Line project. In the previous fiscal year total expenditure amounted to NPR.83,564,797.00/- (in words: Eighty three million five hundred thousand seven hundred and ninety seven) i.e. 80.84% and NPR.42,263,506.20/- in the current fiscal year with a grand total of NPR. 125,828,303.20 expensed (121 % of allocated fund).</p>					
21.	Expenditure and Progress: Under the	2017	Open	With the objective to provide energy related	AEPC will focus on a

<p>Improved Rural Energy Service Programme (Kabeli Transmission Project), 6 programmes under Capital Expenditure and 11 Current Expenditure Programme, total 17 programmes had total budget allocation of NPR. 44,519,000.00/- out of which GoN allocated NPR. 32,469,000.00/- and IDA allocated NPR. 12,050,000.00/-. Total expenditure on the behalf of GoN amounts to NPR. 31,775,865.00/- i.e. 97.86% and The World Bank amount to NPR. 10,487,640.80/- i.e. 87.03%. In total NPR. 42,263,506.20/- has been expended.</p> <p>As the project was not able to meet the targets and did not complete within the stipulated time, grace period of 1 year was added. But it is observed that the project did not complete even with the</p>			<p>services to the people affected by Kabeli Transmission Project, a formal agreement was signed between Nepal Government and The World Bank to implement the project. Based on the annual budget allocated for the project, more than 80% progress has been achieved. The extension of time is determined by the fundamental aspects identified during the feasibility study. Due to unforeseen community/local level issues and practical issues of Nepal Electricity Authority during the feasibility study phase and the time taken to resolve these issues, the project completion was delayed. Since the project involved multiple stakeholders, solo effort of AEPC only was not significant.</p> <p>In future, AEPC will focus on a comprehensive feasibility study and select appropriate mechanism for timely completion of projects of such nature.</p>	<p>comprehensive feasibility study and select appropriate mechanism for timely completion of projects of such nature</p>
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	additional grace period.				
22.	<p>Annual target and progress: As per annual programme and progress report provided by AEPC, out of the target expenditure of NPR. 44,519,000/- under 4 different programmes, 98% of the target has been achieved.</p> <p>NPR. 1,200,000/- has been allocated towards capital programme and 100% target has been said to have been achieved, however according to the financial statement the some of the expenditure amounts to “Nil” which denote that the data relating towards capital programme unrealistic.</p> <p>In the case of one current expenditure “training & development activities programme” with budget of NPR 800,000/- has “Nil” expenses. The reason behind failure to achieve desired</p>	2017	Open	<p>Due to the lack of time, “training and promotional activities” achieved zero progress under the current expenditure heading. Construction of Taplejung Mini Grid is completed; the mini grid not being in operation is a separate issue and cannot be linked with the physical progress.</p> <p>It is not necessary that 100% expenditure of budget allocations is needed to achieve 100% physical progress. Few clerical errors during the preparation of progress report have happened but no impact is seen in the overall progress report.</p>	As stated in the management response

	target has not been justified. Although the Taplejung Mini Grid Construction has completed, it is not in operation. Concerned official should be made responsible for not submitting actual progress report.				
23.	<p>Taplejung Mini Grid Construction: The initial phase of Kabeli transmission project was to construct 250 kilo watt micro hydroelectricity project. The review mission dated 11 – 20 April, 2015 amended to construct 11 K.V. Taplejung Mini Grid. Based on the notice published in 30 January 2016, an agreement was entered with Cosmic Electrical & Associates Pvt. Ltd in 6 May 2016 to complete the task in 180 days. District development committee was disbursed NPR 37,810,000/- for the task during the previous fiscal year. DDC has not submitted the actual</p>	2017	Open	<p>Unforeseen technical and practical difficulties affect the attainment of the desired output within the stipulated time. Since these issues need to be carefully reviewed and resolved by Review Missions, the gap between these review missions prolongs the delays. These unforeseen circumstances need discussion with donor agency, GoN, DDC and the targeted communities and needs to be addressed via Review Meetings.</p> <p>Since, AEPC's effort to complete the project on time was marred by unforeseen difficulties, AEPC utilized NPR.</p>	As stated in the management response

	<p>progress report related to the expenditure made on the construction. AEPC has reported 40% completion of the project in its physical progress report. As the work plan for the completion has been extended up to September 2017, actual expenditure made till date out of the total expenditure could not be ascertained. GoN has released NPR.30,117,286/- to complete the remaining portion of the project. GoN has to bear extra financial burden due to non-completion of project within the stipulated time.</p>			<p>30,117,286/- from the GoN source.</p> <p>AEPC has requested the DDC to submit the actual financial details. The report will be submitted once AEPC receives it.</p>	
24.	<p>Disbursement of additional facilities beyond the terms of contract: Under the Improved Rural Energy Service Programme (Kabeli transmission project), besides the social security contribution as per the clause no 3 and 5 of the agreement with individual consultants additional remuneration or</p>	2017	Open	<p>If there are basis/evidences that justify the disbursement of the allowance, AEPC will submit them otherwise the amount NPR. 334,367/- will be recovered and deposited into the bank.</p>	<p>Open</p> <p>The agreement had the provision to provide gratuity amount equal to 1 month's salary. Instead the consultants were provided the same amount as Dashain</p>

	indemnification will not be provided to the consultants. The project has provided dashain allowance amounting to NPR. 334,367/- which is not mentioned in the contracts of the individual consultants. The amount needs to be recovered.				Allowance.
25.	Unspent Expenditure Amount: As per Rule 33 of financial procedure Rule 2064, the unspent amount during the financial year needs to be refunded to the consolidated fund. NPR.692,689.20/- transferred from Improved Rural Energy Service Programme (Kabeli Transmission project) to consultancy service remains unspent in AEPC's bank account. The remaining amount needs to be transferred in to the consolidated fund.	2017	Open	As per the revised approved budget as the fund availability was vital for the project, adhering to the rules and regulation of the GoN and to ensure that additional financial burden is not transferred to the next fiscal year, the remaining fund of NPR.692,689.20/- was deposited into AEPC's account. Furthermore, as the work at the field level was completed but due to the delay in overall progress, the fund was left in AEPC's account to avoid disruptions on disbursement of payments on the progress achieved.	Closed. NPR 692,682.20/- has been deposited into the Consolidated Fund at Nepal Bank Limited via Deposit Slip No. 1431553 dated 21/02/2075
26.	Reimbursement: Amount	2017	Open	As per agreement between Government of	The reimbursement

	NPR.270,982.11/- spent by AEPC shown as reimbursable amount from the World Bank. Since the project period has matured, the reimbursable amount need to be settled.			Nepal and World Bank, The World bank' contribution ratio is 80% and GoN's ratio is 20 % of the total amount. The expenditure amounting to NPR. 270,982.11 of the District Contact Units comes under the liability of GoN. Since the expenditure was made from World Bank sources, the expenditure will be reconciled and necessary documents will be furnished.	process was initiated via request letter with Challani No. 1879.
<p>3311103 NRREP (National Rural & Renewable Energy Programme): The estimated amount to be expensed as per agreement is USD 170.10 million (NRs. 23,322,775,288/-). Out of the total fund, USD 113.1 million for 'Central Renewable Energy Fund', USD 40.10 million for 'Technical Support', USD8.4 million for 'Business Development Renewable Energy & Productive Energy', USD 5.1 million for 'NRREP Management' and USD 3.4 million for 'Studies & Audit Services'. GoN agreed to contribute 40% amounting to NPR. 5,969,829,699/- and the rest 60% amounting to NPR. 8,954,744,400/- is contributed by donor agencies (DANIDA, Norway,Germany (K.F.W), DFID, GTZ, SNV, UNCDF/UNDP and SREP). Grand total of NPR. 14,924,574,000/-</p>					
27.	Budget expenses & Achievement: Out of the total targeted budget amount for the 5 year period of NRREP amounting to NPR. 14,924,574,000/-, NPR. 12,657,062,234/-was utilized by the last	2017	Open	Even though National Rural And Renewable Energy Program (NRREP) was initially a 5 year program due to the positive impact of the program, Government of Nepal decided to continue the program. The total	As stated on the management response.

	<p>fiscal year. In the current fiscal year amount of NPR. 4,865,524,000/- has been approved for different programme out of which NPR. 2,267,068,947/- has been released and utilized. The project period of 5 years up to July 2017 has ended and GoN has integrated NRREP in its annual programme ensuring the continuation of the programme. Till date total of NPR. 14,924,131,181/- i.e. 99.99% of the budget has been utilized. AEPC has mentioned that the progress achieved is 157% but due to the unavailability of the updated progress report actual physical and financial progress could not be determined.</p>			<p>expenditure during the 5 years and the additional period up to the July, 2017 is NPR. 14,92,41,31,181, this converts into 99.99% financial progress and 157% physical progress. In relation to comment that financial and physical progress could not be determined due to the absence of Cumulative Progress Report, in actual AEPC confirms that the financial and physical progress in 99.99% and 157% respectively. Hence, considering the progress achieved by the program, the implementation of the program has been successful.</p>	
28	<p>Annual progress: As per the progress report provided by AEPC, following is the status of target and achievements of NRREP. As per the progress report, NPR.314,728,000/- budget for two</p>	2017	Open	<p>As per the report progress on 3 programs is nil as these programs were not implemented, progress on 16 programs is less than 50% and progress on 5 programs is more than 50%. Even though the amount of foreign aid to be</p>	<p>As stated on the management response</p>

	<p>programme under productive energy use and NPR.30,000,000/- budget for reconstruction of earthquake affected micro and small industry, there is zero progress. NPR. 302,500,000/- budget for institutional and community biogas plant and two programmes under loan mobilization by central renewable energy fund the progress achieved has been less than 10%. In case of improved metallic cook stove, solar drinking water and irrigation pump installation and other 15 programmes have achieved progress less than 50%. These figures are concerning.</p>			<p>received from the donor agency as per the agreement was included in annual budget for NRREP program for the fiscal year 2073/74, due to the reason that Denmark decision on closure of their embassy in Nepal and the major donors Norway and Denmark decision to reduce 50% of foreign aid being provided to developing countries resulted in 70% of budget reduction in the renewable energy sector. Furthermore, as fiscal year 2073/74 being NRREP's closing year on the part of the donors, this has directly affected the progress of various programs under NRREP.</p> <p>Hence, due to these unforeseen and uncontrollable circumstances, targeted progress could not be achieved.</p>	
29.	<p>Unreleased Budget: The approved budget under the heading 3311103 of NRREP is NPR.4,865,524,000/-. Out of which under the head "capital subsidy for other institutions and individuals" approved budget of NPR.193,745,000/-</p>	2017	Open	<p>The process of development of Programme Implementation Modality is underway with the support from GIZ KFW. Initial Budget has been received and work procedure has been prepared, the implementation of the</p>	<p>As stated on the management response</p>

	was not released from Germany KFW. In the previous year as well, budgeted amount have not been released and expended. Proper clarification is not provided for non-release of budget. Donor agencies will be demotivated due to the inability to spend approved and released budget, hence all the parties involved should be concerned about the utilization of budget to achieve the objectives.			program has initiated. AEPC will ensure in future a balance approach in terms of budget and their timely implementation.	
30.	Payment made without VAT Invoice: Advocate Mr. Shambhu Prasad Dahal was contracted for NPR. 350,000/- including VAT for translation of Renewable Energy Subsidy Policy into English. The payment made from Voucher No. 349/074/3/18 is without VAT invoice. The VAT amount NPR.40,265/- should be recovered.	2017	Open	The VAT amount disbursed was due to human error, the amount of NPR. 40,265/- will be recovered and deposited.	As stated on the management response.
31. Expenses					
31.1	Payment made for vehicle hire from Hetauda to Kathmandu NPR. 69,000/- via voucher no. 224/074/2/8 was made	2017	Open	In the case monitoring activities conducted for the verification of support provided to the	AEPC will prepare the necessary documents and

	without appropriate supporting document. The general rate of the transportation business committee rate should be obtained as supporting.			earthquake affected due to limited public transportation access, vehicles were hired to reach remote areas. Due to the remoteness of the areas, the vehicle rates have been expensive and do not match with the average rates of the transportation business committees.	submit the request to the concerned ministry to regularize the cost incurred.
31.2	NPR.24,253/- was paid for motorcycle repair on the basis of the estimate to Mr. Ram Prasad Yadav. The motorcycle is not registered in the name of the AEPC. The budget of AEPC is not meant for personal assets repair; hence, the payment is not regular.	2017	Open	As per the request received from the Ministry of Population and Environment stating that employee working at the personal secretariat of Honorable Minister of Population and Environment Mr. Ram Prasad Yadav's motorcycle broke down while on the errand of the secretariat. Hence, the repairing charge was covered by AEPC.	AEPC will prepare the necessary documents and submit the request to the concerned ministry to regularize the cost incurred.
32.	Advance: It shall be the duty of both the advance provider and the advance receiver to settle the advance within the time limit as specified in the rule 74(3) of financial procedures rules, 2064. We observed that the advance of NPR.21,683,105.21/- have not been	2017	Open	As per financial work procedure 2064 rule (3), regarding the settlement of advance, NPR. 21,683,105.12 remained un-settled as the activity is ongoing. The advance shall be settled post completion of the work.	Open

	settled yet.				
33.	<p>Scaling Up Renewable Energy Programme (SREP)</p> <p>As per the agreement between GoN and World Bank dated 24th November 2014, total project cost is USD 7,900,000. The completion date of project is 31st December, 2019. The objective of the project is to assist NRREP to achieve its goals.</p>				
33.	<p>Budget expenditure and progress: SREP has budget of NPR.783,127,000/- with completion period of 5 year. Under SREP total expenditure amounts to NPR.8,929,165/- until the previous year. In the current year NPR.179,836,000/- has been allocated, out of which NPR.75,572,136.75/- i.e. 42.02% has been utilized. At the end of current fiscal year (3rd year out of total 5 year period) NPR. 84,501,302.25/-i.e. 10.89% has been utilized. We observed that the financial progress has not been achieved.</p>	2017	Open	<p>The project was adversely affected by the massive earthquake and the financial blockade during the second year of implementation.</p> <p>The project required restructuring during the fiscal year 2073/74, as the restructuring did not complete affecting the activities of the project and progress could not be achieved. Furthermore, the projects implementation modality required co-ordination with the respective local level government; the local level was suffering from a decade long absence of locally elected representatives as local level elections were yet to take place. The bureaucrats were not willing to take the ownership of such programs.</p>	As stated on the management response.

				In the current context, with the successful completion of local level elections and restructuring. Fiscal year 2074/75 is on track in the achieving the targets of the approved activities	
34	Annual progress: The progress on off-grid biogas is 7.39%, electricity production via off-grid biogas is 0, Large biogas 56.02% and commercial off-grid plant establishment and operation is 11.36%. 50% of the total project period out of six years has ended but the progress level is not satisfactory. AEPC should be concerned on completion of the project within the project period by effectively implementing the work plan.	2017	Open	<p>The project was adversely affected by the massive earthquake and the financial blockade during the second year of implementation.</p> <p>The project required restructuring during the fiscal year 2073/74, as the restructuring did not complete affecting the activities of the project and progress could not be achieved. Furthermore, the projects implementation modality required co-ordination with the respective local level government; the local level was suffering from a decade long absence of locally elected representatives as local level elections were yet to take place. The bureaucrats were not willing to take the</p>	As stated on the management response.

				<p>ownership of such programs.</p> <p>In the current context, with the successful completion of local level elections and restructuring. Fiscal year 2074/75 is on track in achieving the targets of the approved activities</p>	
35.	<p>Excess payment: For the detail feasibility study of the biogas plant, AEPC bears 50% of the liability. Detail feasibility study of a plant costing NPR.1,456,275/- has been completed by Minergy Pvt. Ltd. Hence, NPR.728,137.50/- has to be paid. However, in actual NPR.775,745/- has been paid via voucher no.207/2074/1/25.Hence excess amount of NPR.47,607.50 has to be recovered.</p>	2017	Open	The amount has been recovered.	Closed.
36.	<p>Reimbursement not claimed:</p> <p>As per rule 37(2c) of Financial Procedure Rule, 2064, “in cases where reimbursement has to be taken from the Donor for the expenditure incurred out of</p>	2017	Open	The amount NPR. 49,069,872.30/- shall be immediately reimbursed and reconciled in to GoN source.	<p>Closed</p> <p>Reimbursement from world bank dated 26/12/2017 of NPR. 8,917,556/-, dated</p>

31st July, 2018

	<p>the sources of the Government of Nepal. It shall collect the statements expenditure and other necessary details from the Subordinate Office or programme implementation unit, examine them, determine the reimbursable amount, prepare the requisition form as per the Guidelines of the Donor and request the concerned Donor for reimbursement within forty-five days in the maximum.”According to the contract with the World Bank for SREP IDA Grant No. TF016552-NP, out of the total expenditure amount NPR. 49,069,872.30/- has not been reimbursed from World Bank. So the amount has to be reimbursed in time.</p>				<p>02/03/2018 of NPR. 18,190,000/- and dated 13/04/2018 of NPR. 24,141,989/-. Total reimbursement of NPR. 51,249,545/-.</p>
37.	<p>Budget Expenditure: As per schedule 2, part 4C of contract between GON and World Bank for SREP, amount of the subsidy for the selected sub projects</p>	2017	Open	<p>The grant/subsidy amount from The World Bank is to be determined post financial verification of the Biogas Plant whereas subsidy to the beneficiary group is as per the</p>	<p>As stated on the management response.</p>

	should not exceed 20% of actual project cost or approved project cost. It has been observed that selected sub projects have been contracted to be provided 50% as subsidy based on the centre's renewable energy subsidy policy 2013 and renewable energy subsidy delivery mechanism 2013. Subsidy amounting to NPR. 7,468,642/- should be reconciled according to the source of the fund.			renewable energy subsidy policy 2016. The portion of grant from The World Bank could not be verified at the time of recording bookkeeping as the financial verification was fixed after the payment. The reimbursable amount NPR.74,68,642/- will be reconciled as expenses from GoN source in the Fiscal Year 2074/75.	
<p><i>South Asia Sub-regional Economic Cooperation (SASEC) (AEPC Component)</i></p> <p>As per the contract between GON and Asian Development Bank on 4th July 2014, the project will start from 2015 and end on 31st Dec 2021. The total cost of this project is 440 million USD. Out of total cost of project, Asian Development Fund will grant 180 million USD, Asian Development Bank Strategic Fund Donation 11.20 million USD, Norwegian Donation 60 million USD, European Investment bank 120 million USD, GoN 60.33 million USD and from Community 8.47 million USD will be borne.</p> <p>Under SASEC, in the previous year NPR.30,471,057/-, current year NPR.552,57,953/- grand total of NPR.857,29,010/- has been expended.</p>					
38.	<p>Annual Progress:</p> <p>As per the report obtained from the project in the current year, the project</p>	2017	Open	Being a new programme, the progress of the project was adversely affected by additional time required for identification, lengthy project cycle and procedures, high cost	As stated in the management response.

	<p>aims to identify feasible location and estimate initial demand collection for 7 small hydropower project, detailed feasibility study and estimate initial demand collection for 10 mini grid solar and solar wind system and installation of 5 wind mast. Out of which, 7 projects identified, 4 projects are in the process of acquiring license, tender has been issued for 400 kilo watt small hydro, 65 kilo watt mini grid solar and solar wind system, and 2 wind mast has been installed. Longer project cycle, user/beneficiary is inability to manage loan, higher hydro project's cost and non-delivery of material to remote construction sites have been identified by the project. To complete the project in time, detailed work plan has to be prepared.</p>			<p>resulting in unwillingness of the beneficiary groups, inability of the beneficiaries to manage finance in time and majority of project locations in remote areas resulting in high freight and transportation charge</p> <p>In future to address the issues identified AEPC will revise the modality to the possible extent and develop action plan to conclude activities of the remaining period.</p>	
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39.

Solar Hybrid Mini Grid system:

As per agreement between project and Suryodaya Energy Pvt.Ltd. on 23rd Feb 2017 for installation of solar/wind energy hybrid mini grid system to be completed by 23rd July 2017 amounting to NPR.1,74,000,075/-(Excluding VAT) is agreed upon. The service provider has been provided first installment amounting to NPR.3,480,015/- as 20% of agreement amount and NPR.2,586,660/- on the basis of first running bill. In total NPR. 6,066,675/- has been disbursed.

39.1	Excess amount paid than agreement: As per agreement made between project and service provider, 90% of total amount is borne by the project and 10% by the User Committee. Till now all the expenses has been borne by the project only, amounting to NPR.6,066,675/- paid to Suryodaya Urja Pvt.Ltd. from V. No. 149/2073/12/30 and 223/2074/2/8. User Committee's contribution (10%) amounting to NPR.606,667.50/- has to be recovered.	2017	Open	The amount to be recovered NPR 606,667.50/- has been recovered on 2074/10/15.	Closed.
39.2	Service provider company Suryodaya Energy Pvt. Ltd has been given advance	2017	Open	Non posting of the advance amount NPR. 3,480,015/- in the advance ledger is a clerical	Closed

	20% of amount as first installment (NPR.3,480,015/-)paid via voucher No 149/2073/12/30 is not shown as advance. The amount needs to be shown as advance.			error. The advance ledger has been updated.	
40.	<p>Reimbursement not claimed:</p> <p>As per rule 37(2c) of Financial Procedure Rule, 2064, in cases where reimbursement has to be taken from the Donor for the expenditure incurred out of the sources of the Government of Nepal. It shall collect the statements expenditure and other necessary details from the Subordinate Office or programme implementation unit, examine them, determine the reimbursable amount, and prepare the requisition form as per the Guidelines of the Donor and request the concerned Donor for reimbursement within forty-five days in the maximum. Out of the total expenditure,</p>	2017	Open	The reimbursement process of the remaining reimbursable amount NPR. 28,538,127/-of ADB Grant no 0398NEP/Loan NO 3139 NEP will be initiated immediately.	<p>Closed</p> <p>Reimbursement dated 25/07/2017 of NPR. 18,411,985/- and dated 14/12/2017 of NPR. 18,134,146/- . Total NPR. 36,546,131/- reimbursement.</p>

	NPR.28,538,127/- has not been reimbursed from Asian Development Bank for power expansion project ADB Grant No. 0398 NEP and Loan No. 3139. The amount needs to be reimbursed from the donor agency.				
<p>41. Security Deposit:</p> <p>As per AEPC's financial report, including previous year's security deposit liability amount of NPR.37,236,763.71/-, the total deposit amounts to NPR.110,132,223.16/-. Post refunding security deposit amounting to NPR.18,122,194/-, NPR.92,010,029.16/- remains as security deposit. Following points are observed regarding refund of security deposit.</p>					
41.1	Retention Money: As per rule 124(2) of Public Procurement Rules, 2064, retention money has to be refunded after service provider submits the annual income tax return in the Inland Revenue Department. The refund in the case of service provider of solar energy system installation i.e. 10 % retention money will be refunded after inspection from AEPC. Bank Guarantee and inspection	2017	Open	<p>In this context, the security deposit amount shall not be refunded based on the performance guarantee clause of the Public Procurement Regulation 2064. The refund requires monitoring and recommendation from the respective technical person.</p> <p>AEPC will immediately rectify the process and completely follow the predominant rules and procedures.</p>	As stated in the management response.

	report with recommendation for payment could not be tracked while refunding the retention amount. AEPC has refunded the retention money to service provider listed below on the basis of the performance guarantee. The refund of retention money NPR.5,310,291/-is not regular.				
41.2	41.2 Refund of 10% retention money related to Solar energy installer companies is to be provided post the monitoring of the system. The monitoring report needs to deem the installation satisfactory prior to releasing the retention amount. Amount of NPR.1,675,194/- from V.No. 2/2073/5/20 has been refunded to Deep Light Energy Pvt. Ltd. without inspection and recommendation. This has resulted in non-compliance with the procedures before refunding the retention money	2017	Open	<p>Details regarding retention money amounting NPR. 16,75,194 refunded to Deep light energy Pvt. Ltd. post completion of all the activities was missed due to human error in the inspection report.</p> <p>In future AEPC will fully update the detail liability statement on refund of retention amount.</p>	As stated in the management response.
42.	Clean Development Mechanism	2017	Open	The fund mobilization guideline has been	As stated in the

	<p>(CDM): Clean Development Mechanism (CDM): For minimization of smoke and carbon emission, AEPC received NPR.557,511,013.33/- in the previous year and NPR.110,021,679.10/- in the current year from carbon trading; total NPR.667,532,692.43/- has been deposited in to the carbon fund. No expenses have incurred from the fund. As per the clarification from AEPC, the mobilization guidelines for the fund have been formulated; however, since the approval on the procedure is yet to be obtained, the fund has remained unutilized. This was noted in the previous report but the status of approval has not improved in the current the fiscal year as well.</p>			<p>sent to the Ministry of Finance for approval. Due to the ongoing discussions on the guideline between the stakeholders, line ministry, National Planning Commission and the Ministry of Finance and consensus yet to be reached, AEPC as of now is not able to utilize the fund.</p> <p>AEPC is committed to utilize the fund in effective manner post approval of the guideline.</p>	management response.
<p>43. Additional Financial support Fund</p> <p>In the micro hydro projects of remote areas, based on the Renewable Energy Subsidy Delivery Mechanism 2073 additional subsidy support of NPR.78,984,095/- has been provided.</p>					
43.1	The Government subsidy distribution	2017	Open	Assimilating the recommendations on	As stated in the

<p>process should be fair and transparent to all the related parties. As per clause 14 of Renewable Energy Subsidy Delivery Mechanism 2073, additional subsidy could be provided to those projects which remain incomplete due to technical and financial problem. The Centre received application from 28 Micro Hydropower projects and 20 Micro Hydropower projects have been provided subsidy amounting to NPR 51,794,107.50/- as first installment. However, AEPC did not publish notice for demand collection and preparation for the collection of name list did not take place. No proper justifications for selection of projects have been provided by the Subsidy Committee. Due to the lack of accountable and transparent policy for the subsidy delivery, there remain possibilities of ineligible projects accessing the additional subsidy fund. It</p>			<p>delivery of additional subsidy amount, AEPC in future will ensure that the subsidy delivery process will be made more effective, transparent and informative along with preparation of the indicators of justifiable projects.</p> <p>In the case of the 20 micro hydro projects, AEPC did an analysis of the fundamental aspects of the projects prior to the additional subsidy and only projects that deserved additional subsidy were selected.</p> <p>In future procedures such as notification at the respective area through public mechanism to disseminate information, collection of demand, assorting the demands received, short listing of projects, approval of projects, preparation of criteria and criteria based selection will be duly implemented to achieve accountability and transparency.</p>	<p>management response.</p>
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	is recommended that AEPC should formulate the procedures for collection for application for subsidy via public notice, preparation of list and selecting the projects that have met the criteria in order to make the subsidy distribution mechanism fair and transparent.				
43.2	Monitoring/Inspection: As per Section 6 of Additional Subsidy Delivery Mechanism (First amendment 2071), projects in remote areas which are incomplete due to inability to transport electromechanical equipment are eligible for additional subsidy, NPR.46,946,692.16/- has been disbursed in previous year for transportation of the equipment. However, monitoring of the status of transported equipment and whether the projects have started production has not been determined by AEPC.	2017	Open	In Fiscal Year 2073/74, 13 projects out of 30 completed have been provided additional subsidy. Testing and commissioning of the total 30 projects have been completed. The transported equipments related to culverts and civil works are handed over to the user committee at the initial stage. The transported equipments are hence under the ownership of the user committee. AEPC conducts monitoring of the micro hydro projects as per need and during the monitoring the status of the equipments is also examined.	As stated in the management response.

National Rural and Renewable Energy Programme (NRREP)					
44.	Operation of Service Centres:- As per agreement with regional service centre, the service center should achieve 80% of target at end of the financial year. 9 service centres has expenses amounting to NPR.86,992,352.31/- in current fiscal year. Service centres have not prepared progress report of the above mentioned amount.	2017	Open	The closure of NRREP in the mid of the fiscal year 2073/74 is the major reason on service centres not being able to achieve the 80% target. Hence, the agreement with the service centres ended in the middle of the fiscal year affecting the targets adversely.	The progress report is being prepared.
45.	Value added tax (VAT):- As per memorandum of understanding (MOU) between Government of Nepal (GoN) and DANIDA dated 1 st December 2012 to implement National Rural	2017	Open	The refund process of VAT amount NPR.1,81,35,989.74/- will be initiated immediately.	Closed The refund of VAT amount NPR.1,81,35,989.74/- has been received through

	<p>&Renewable Energy Programme (NRREP) ,the portion of VAT out of the total payment made by the programme will be refunded to the NRREP Fund. As per this clause, until the previous year VAT refundable of NPR.27,301,844.29/- and the current year's NPR.24,882,409.64/-, grand total VAT refund amounts to NPR.52,184,253.93/- .NPR.34,048,264.93/- has been refunded and balance amount of vat receivable of NPR.18,135,989/- is yet to be refunded. The remaining VAT amount should be refunded.</p>				V.no. 01(74/75) dated 2/8/2018.
CREF					
46.	<p>Law Enactment: Central Renewable energy Fund (CREF) has proposed that the financial management of the fund should be independent and applies the arm's length</p>	2017	Open	CREF's operation is based on its Operational Guideline approved by the Ministry of Finance. The annual audit provision of the fund is governed by the prevalent laws of Nepal.	As stated in the management response.

	<p>principle. In agreement with development partners, CREF is one part of National Renewable Energy Programme (NRREP) operating as a semi endowment fund. The fund operates on the basis of Ministry of Finance (MOF) approved fund operation guideline. As per CREF statement provided upto august 2017, available fund amounts to NPR. 4,635,973,000/-. There is no separate act, law, rule & regulation relating to operating and management of this fund. So relevant lawneeds to be formulated to manage & operate this fund.</p>			<p>Recommendation on separate Act and rules for the management of the fund shall be consulted with the line ministry, ministry of finance and development partners.</p>	
47.	<p>Accounting System: As per financial procedure act, 2055 section 10 states that accounting of financial transactions should be as per the prescribed procedure of Government of Nepal. As per agreement between</p>	2017	Open	<p>Accounting system of this organization is in accordance with requirement of Government of Nepal as stated in section 10 of Financial Procedure Act, 2025. Cash basis double entry system is implemented for the budget received from Government every year and all</p>	<p>As stated in the management response. The IT audit of SAMS software has been completed and recommendation based</p>

	<p>GON and donor agencies, financial management of donor fund shall be stated and managed on the basis of accounting principle of Government of Nepal. AEPC is accounting on cash basis double entry system. Additionally AEPC also separately maintains the books of account for the grant received from donor in NAVISON and SAMS Software. These software are not recognized/approved by government of Nepal. So, prior approval and security assurance must be established.</p>			<p>the financial transaction including amount received from development partners are recorded in Navision and SAMS software. Navision is widely used financial software. Use of Navision software is provisioned in the NRREP Administrative and Financial Guideline which was approved by Steering Committee with representatives of government of Nepal and donor agencies. AEPC will proceed with the security assurance and improvement on the software.</p>	<p>on findings have been made to AEPC</p>
48.	<p>Statement of Financial report of Fund:-</p> <p>CREF has selected Global IME Bank from April 2014 as the handling bank for effective and independent mobilization of available fund post competition among various banking institutions. Total deposit balance of previous year in</p>	2017	Open	<p>Preparation of financial statement including asset and liabilities of renewable energy fund, ESAP is ongoing.</p>	<p>The financial statement will be available from the upcoming fiscal year. The audit of CREF is ongoing and tentatively by end of August the audit shall be completed.</p>

	<p>bank was NPR.1,220,666,475.23/- and the current year's deposit is NPR.2,921,917,527.16/- and expenses amount to NPR.769,671,085.70/-, the net balance amounts to NPR.2,152,246,441.46/-. Center has not prepared financial statement of CREF since the previous year including assets & liabilities, partner bank balance etc. Due to the lack of financial statement, actual financial position of CREF assets & Liabilities cannot be ascertained. So, AEPC should prepare its financial statement including assets & liability of CREF to know the actual financial position.</p>				
49.	<p>Audit:</p> <p>As per Financial Procedure Act 2055, the liability of audit of institutional and project operated from Consolidated Fund budget is of accountable officer or</p>	2017	Open	<p>The condition as per the requirement of the donor agency is not aimed at excluding the scope of OAG. CREF's operation is agreed upon and approved by respective line ministry and Ministry of Finance. It is evident</p>	<p>As stated in the management response.</p> <p>The audit of CREF is done by OAG</p>

	<p>authority. As per the agreement between AEPC and Global IME Bank, provision of audit states that “In G.C.C.2.6Accounting, Inspection and Auditing, the Client of its designated representativeas well as to have them audited by auditors appointed by the client and where applicable.” Hence audit of CREF operated by AEPC is out of reach of OAG. While audit of project funded and operated by subsidy from GoN and foreign grants, OAG should be consulted while performing the audit.</p>			<p>from the preliminary reports that the audit of CREF has been part of the OAG audits.</p> <p>As per the legal provision that requires consultation with OAG while performing audit of GoN’s grant and donor support, the indicated clause can be discussed with the related agencies and if necessary can be amended.</p>	
<p>50.</p> <p>Inspection, Appraisal and Fine &Penalty :</p> <p>On the penalty levied by AEPC on installations related to Solar Home System and Bio-gas Plant on the based on the approved subsidy delivery mechanism, following observations are made:</p>					
50.1	As per Section 5.1.3 of Renewable Energy subsidy Delivery Mechanism 2070, random sampling monitoring of at	2017	Open	AEPC’s penalty mechanism is as per the Section 5.13 and 5.3(Ga) of Renewable	Total amount recovered until 04-03-2075 is NPR 30,486,449.60/- and

<p>least 10% solar home system installed by various installation company is to be conducted via Third Party Monitors. The monitoring deviations are classified as: not installed as per agreement, not meeting quality criteria, could not ascertain the installed person, installed after the first inspection was made, double claim, claiming others' installation as own, no description of manufacturer and capacity in battery, no manufacturer serial number in panel, multiple claim from a single family, installation in other's name, installing by making variation in VDC or District, mismatch of serial number of panel and battery mention in application, claiming subsidy without proper knowledge that partial subsidy was provided by other company. There is provision of penalty of 5%, 50%, 100% & 200% as well as removal of registration on severe condition. The condition of cancellation of registration has not been clearly stated although there is provision for such. All together 62 companies has been fined amounting to NPR.47,851,809/- for non-</p>			<p>Energy subsidy Delivery Mechanism 2070.</p> <p>Regarding clarity on the condition of cancellation of registration, AEPC in consultation with the relevant stakeholders will identify indicators/conditions for cancellation of registration/accreditation of the defaulter companies.</p> <p>Penalty from 62 companies amounting NPR. 47,851,809.19/- as stated in preliminary report will be recovered as soon as possible.</p>	<p>balance NPR. 17,365,359.59 will be recovered as soon as possible.</p>
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	compliance of the Subsidy Delivery Mechanism based on the monitoring results of the third parties in 2014/15 and 2015/16.				
50.2	Company wise inspection and penalty status: As per section (11) amount of penalty of NPR.47,851,809.19/- was noted for 62 companies but for major 10 companies penalty of NPR.27,524,714.52/- (57.52%). The 10% sampling of these companies is not enough, hence the sample percentage should be increased for these companies.	2017	Open	The threshold of monitoring 10% is as per the Renewable Energy subsidy Delivery Mechanism 2070. AEPC needs to conduct a technical analysis to justify the increment of the 10% threshold. As the mechanism of penalty is governed by the Renewable Energy subsidy Delivery Mechanism 2070 and AEPC cannot proceed beyond that.	As stated in the management response
50.3	The Bio gas companies which failed to comply with the quality standard/procedure as per Third party monitoring for F.Y 2071/72 and 2072/73 has been levied penalty of NPR.18,319,630.92/-. The amount should be recovered.	2017	Open	Penalty of NPR. 18,319,630.92/- including NPR. 9,225,242.57/- from 83 companies for F.Y. 2071/72 and NPR. 9,094,388.35/- from 72 companies for F.Y. 2072/73 will be recovered as soon as possible.	As stated in the management response
51.	Interest and Penalty Income:	2017	Open	Though the recognition of penalty as income	As stated in the

	<p>As per S.No 3 of Guiding Design Principles, Financial intermediation Mechanism of CREF, the amount as subsidy and grant which remain unspent has to be invested in safe manner in interest earning instruments and reinvestment of such amount for the expansion for sustainability of the CREF. Similarly S. No 7.2 has mentioned that interest generated will enhance the effectiveness of the fund. Based on the provisions, AEPC has earned interest and fines, the total interest income of the fund is NPR.100,339,246.60/- and penalty booked is NPR.160,748,307.01/- till date. Although the financial procedure has stated the procedure for booking of interest income but it lacks the clear procedure for the booking of fine and</p>			<p>in fund is not stated clearly in the Guiding Design Principles, the amount received has been recorded as income and kept in a safe manner.</p> <p>AEPC shall make necessary amendments in the guiding principle on whether the penalty amount shall be booked as income in CREF or deposited in to the GON's consolidated fund</p>	<p>management response</p>
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	penalty, hence approval from GoN is required.				
52.	<p>Balance Fund:</p> <p>In the S.N 7.1 of Financial Intermediation Mechanism of CREF for the operation of fund of project the insolvency of bank is also defined. In the case of insolvency of bank the fund will have greater risk, hence diversified portfolio of the fund for minimization of risk is essential .Global IME bank has been selected for working as handling Bank .The total bank balance is NPR.4,635,973,000/- out of which the handling Bank Global IME bank has NPR.4,407,973,000 which is 95.03% of total fund amount. Investment should be diversified to obtain gain from the differential interest rate and risk due to deposit in single bank</p>	2017	Open	The higher amount of fund at Global IME bank is due to the reason that it is the handling bank of CREF.As the S.N 7.1 of Intermediation Mechanism state the possible risk from insolvency of bank, the overall state of this bank is positive based on the review of Financial Information published by the bank and Financial Statement of Nepal Rastra Bank. Selection of partner banks is in the process to divide the fund into separate interest bearing accounts. NMB bank has been selected as the new Handling Bank. Risk will be reduced post selection of partner banks.	CREF has selected a total of 13 banks for liquidity management. NMB being the current handling bank holds more than 50% of the fund amount at 8.5% interest rate. The rest of the amount is divided among 12 partner banks with interest rate ranging from 11% to 11.15%
53.	<p>Foreign Grant Refund:-</p> <p>Sec. 14(2) of Financial Procedure Act,2055 states that responsible officer</p>	2017	Open	While there is no doubt that the utilization of the remaining fund will have positive impact on the renewable energy sector, the initiative	As stated in the management response

	<p>should submit income& expenditure details to OAG and FCGO. NRREP established as the basket fund approach with grants DANIDA , Norway and 8 development partners , the grant amount of NPR.4,712,761,123/- is recorded as received .The amount unutilized grant amount is being refunded to the donor including the interest earned and penalty amount. Proper analysis is required in this matter</p>			<p>of the consultant representing the development partners on repartition of the remaining amount along with the interest earned and penalty amount will be as per the contractual agreement between the GoN and the development partners.. The implementation of NRREP is based on the Joint Financing Agreement between GoN, Danish Government and Norway Government and postcompletion ofthe program the fate of the remaining fund of the donor agencies will be as per the Joint Financing Agreement.</p> <p>In future, in case of new agreements on renewable energy sector with development partners, AEPC will extensively analyze these aspects of exit strategy.</p>	
54.	<p>Conflict of interest:</p> <p>As per section 62(3) of Public Procurement Act, 2063, in the case of</p>	2017	Open	<p>As per the Section 62(3) of Public Procurement Act 2063, for the governance of central renewable energy fund an Investment Committee (IC)was formed under the</p>	<p>As stated in the management response</p>

<p>personnel responsible for preparing bidding documents or specifications of a procurement contract or for supervising the implementation of procurement contract, a person or firm or organization or company affiliated with him/her, or an employee working in such firm or organization or company cannot participate in the bidding proceedings of such procurement.</p> <p>Personnel of handling bank and partner banks are in the investment committee as representative of Nepal Banker's Association which can lead to potential risk of conflict of interest. There is a possibility that the representative of Nepal Bankers Association in the Investment Committee could favor their bank and financial institution rather than the public interest. Therefore, considerations should be made to deter</p>			<p>coordination of Joint Secretary of the Ministry of Population and Environment. The IC has a provision for one member from the Nepal Bankers Association. This adds value in the IC with expert knowledge on the banking and investment sector leading to effective mobilization of the fund.</p> <p>This member of the IC cannot belong to the banks involved in the bidding process and his/her sole opinion cannot lead the IC's decision, hence conflict of interest is not possible. As a member, he/she is responsible to act independently.</p> <p>The IC coordinated by the joint secretary of Ministry of Population and Environment, executive director of AEPC as member and head of CREF as the secretary discusses the recommendations received and only after an in-depth analysis conclusions are reached upon. and analyses discussed in committee, role of representative of Nepal Banker</p>	
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	conflict of interest			Association will not be superior. No conflict has arose till now due to inclusion of representative of banker association and possibility of rise of such conflict is also less.	
55.	<p>Variation order:</p> <p>As per section 118(1) of Public Procurement Act 2064, once a work under a procurement contract has already been started, if alteration or addition of new item to or replacement to the quantity of such work is required due to technical reasons, the following authority may, after preparing the cost estimate of such alteration and new item, issue a variation order as follows subject to the provision of Section 54 of the Act.</p> <p>There has been a variation agreement of NPR.4,19,200/- on 5 July 2016 to complete the work between 16th July 2017 to 9th December 2017 stating</p>	2017	Open	Variation agreement was made on 5 th july 2017 amounting NPR 419,200/- for the period from 16 th july 2017 to 9 th dec 2017 mentioning Variation Order (VO) to HB to perform Tasks Of Financial Closure Reconciliation and Reporting. As the initial agreement with the handling bank did not include the said terms and condition. To ensure effective reconciliation and reporting system, AEPC agreed upon the variation order. However, the amount of variation order has not been disbursed and AEPC is trying to include the new terms and conditions in the lump sum agreement.	According to request letter by CREF for removing the arrear form OAG's report "Certification of non-payment of fee to global IME Bank Ltd." dated 16 th may 2018 ref. no. 073/074/075, "CREF had signed an agreement with the bank for providing different services which were not part of the original terms of reference. Hence, the management of the bank and CREF agreed to

	<p>“Variation Order (VO) to HB to Perform Task of Financial Closure; Reconciliation and Reporting”. The variation order agreement of NPR. 419,200/- for activities that are of regular nature of the handling bank cannot be deemed regular.</p>				<p>provide/receive the service against fee payment. In the meantime, Global IME Bank Ltd. also agreed to carry out the services on a no cost basis for a period of six months. The said amount has been booked in arrears during OAG audit. However, as the payment has not been made till date, there is no need to book the amount in arrears.”</p>
56.	<p>Payment made without detail of remaining payment:</p> <p>As per section 40(7) of Financial Procedures Rules 2064, No liability shall be created in a manner to incur expenditure beyond the budget limit for</p>	2017	Open	<p>As per the contract with service provider, record of payable amount will be prepared and attached decision on disbursement to settle the arrears.</p>	<p>As stated in the management response.</p>

<p>the current year. Provided that in cases where expenditure exceeding the budget for the current year has to be borne in the expenditure headings referred to in Sub-rule (8) by operation of circumstance and for a special reason, the amount due and payable shall be entered in the statement of due amount, setting out the reason for making payment of the amount as per the bill and voucher in the coming year, and got certified by the Office In-charge and the Funds and Accounts Comptroller office within the 15th day of the month of Shrawan (last day of July); and such statement of due amount shall be forwarded with the financial statement to the pertinent superior office, concerned Ministry, Funds and Accounts Comptroller Office and Office of the Auditor General. AEPC have made payment of NPR. 44,693,888/- without any outstanding payment details of</p>				
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	previous financial year to the service providing companies.				
57.	<p>Unadjusted amount and its settlement:</p> <p>As per section 108(f) of Financial Procedures Rules, 2064, to maintain records of the irregularities indicated by the Office of the Auditor General in the format specified and update the records of settlement. As per this, from detail provided by AEPC of total unadjusted amount of NPR.385,525,000/-, the amount of NPR.17,107,000/- has been settled and NPR.229,521,000/- remains unsettled. The arrears should be settled.</p>	2017	Open	<p>AEPC has maintained record of arrears from 2060/61 to 2072/73. AEPC aims to settle the arrears based on its action plan. Evidences and supporting documents for NPR.12crore arrear has been prepared and will be submitted. For the settlement of principal arrears AEPC is in the process of compiling the required documents and as per the process decreed by the rule 100(3) of Financial Procedures Rules, 2064. Out of total arrears, AEPC aims to settle 60% till the end of Asadh of 2075.</p>	

4.2 Preliminary Report 2072/73² (2015/16)

S.No ³	Issues/Findings	Raised	Status as on 21 th February, 2017 based on OAG Preliminary Report	Management Response	Status as on 31 st July, 2018 based on Follow-up via Compliance Review
6	Reimbursement not claimed: As per rule 37(2c) of Financial Procedure Rule, 2064, In cases where reimbursement has to be taken from the Donor for the expenditure incurred out of the sources of the Government of Nepal. “It shall collect the statements expenditure and other necessary details from the Subordinate Office or program implementation unit, examine them, determine the reimbursable amount, and prepare the	2016	Open		Closed OAG letter dated 12/05/2074 challani no.2074/075/36.

² The major findings of the report are only presented³ The S.No refers to the exact serial number as in the OAG’s preliminary report

	<p>requisition form as per the Guidelines of the Donor and request the concerned Donor for reimbursement within forty-five days in the maximum.</p> <p>As per agreement with world bank, IDA Grant no. 676-NEP total expenditure is NPR. 32,145,596.00/- Total Reimbursable NPR. 31,108,206.80/- which includes the reimbursable amount of the previous year of NPR. 14,000,923.40/- and current year of NPR. 17,107,283.40/- needs to be reimbursed.</p>				
7.	<p>Excess payment over agreement</p> <p>Improved Rural Energy Service Programme (Kabeli Transmission Project)</p> <p>As per the clause no. 3 & 5 in agreement of appointed individual consultant has mentioned, no additional allowance or gratuity beside social security</p>	2016	Open	<p>The amount has been recovered from the following persons:-</p> <ol style="list-style-type: none"> 1. Co-coordinator Jagdish Kumar Khosju NPR. 175,012/- 2. IDO Rabindra Prasad Dhital NRs. 72,532/- 3. Admin & Finance Assistant Ishwor Prasad Poudel NPR. 52,879/- 	<p>Amount yet to be recovered:</p> <ol style="list-style-type: none"> 1. Program Consultant, Saroj Raj Baral, NPR.24,400/- 2. Program Support Officer, Om Khanal,

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	contribution is to be provided. The project has provided dashain allowance to the consultants against the agreement amounting to NPR.412,207.00/-			<p>4. Office Assistant Ramesh Nepal <i>NPR.</i> 32,738/-</p> <p>5. Finance Consultant Manoj Raj Kayastha <i>NPR.</i> 41,666/-</p>	NPR. 12,980/-
8.	Admin & finance assistant Iswor Prasad Poudel resigned on 15 October 2017. Salary paid amounts to NPR. 58,116/- for the full month of October (Including PF) instead of 15 days. Excess salary of NPR. 29,083/- has to be recovered.	2016	Open		<p>Closed</p> <p>OAG letter dated 01/03/2075 challani no. 2074/075/565</p>
17.	For the WASP(Wind Atlas Analysis & Application Programme) For 8 weeks Online Training, Assistant Director Raju Laudari has been provided 800 Euro equivalent to NPR. 90,0000/- .But hehas not submitted enrollment evidence and training completion certificate.				<p>Closed</p> <p>OAG letter dated 14/12/2074 challani no. 125.</p>

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19.3	<p>Excess Payment: As per public procurement act, 2064, rule 122, supplier has to tender the bill with detail of goods, quantity & rate to release the payment, rule 123 states that bill should be approved & authenticate by concern authority on the basis of work performance for the release of payment. Excess payment made on installation of street solar light amounting to NPR.3,161,587/-has to be recovered.</p>	2016	Open		<p>Only NPR. 4800 recovered from Nepal E Com Concern Pvt. Ltd.</p>
19.4	<p>TDS not Deducted: As per Income Tax Act, 2058, section 89 (1), TDS @1.5% has to be deducted on payments. The total amount of NPR.82,486,470.92/-has been disbursedand tds @ 1.5% amounting toNPR. 1,237,297.72/-has not been deducted.</p>	2016	Open		<p>TDS recovery from Suryaday Urja Pvt. Ltd. Of NPR. 3861/-, Supreme Solar Pvt. Ltd. Of NPR. 11,244/-,Nepal E Com Concern of NPR. 10,980/- via OAG Letter dated 19/01/2075 challani no. 1599. NPR. 1,211,212.72 is yet</p>

					to be recovered.
NRREP fund					
4.	VAT: -As per the contract made between government of Nepal and Danida dated on 1 st Decc 2012 the entire vat amount paid for the operation of NRREP shall be refunded. As mentioned in contract, total amount of <i>NPR.</i> 27,301,844.29/- (including previous year's amount <i>NPR.</i> 18,138,241.76/-) is seen as receivable. The amount needs to be settled	2016	Open		Closed. Settle vai OAG Letter dated 14/12/2074 challani no. 123.
15.	Monitoring, evaluation and penalty: - As per RenewableEnergy Subsidy Delivery Mechanismmonitoring of at least 10% sample is done through random sampling basis by third party monitorsThepenalty for the fiscal year 2013/14 amounting to <i>NPR.</i> 53,070,409.56/- has not be collected till the period of statutory audit.	2016	Open		<i>NPR.</i> 51,306,431.68/- has been collected via OAG Letter dated 14/12/2074 challani no. 120. <i>NPR.</i> 1,763,977.88/- remains to be collected.
18.1	As per the Renewable Energy Subsidy Delivery Mechanism 2070 provisions for 90 % subsidy can be disbursed post submission of bank guarantee. Upon inspection it is found that the time period	2016	Open		Closed.

	of the bank guarantee have expired. Amount NPR. 15,850,992.25/- should either be recovered or the bank guarantee needs to be extended.				
18.2	As per Renewable Energy Subsidy Delivery Mechanism, if the submitted subsidy application forms are appropriate 90 % of the amount is disbursed. The remaining 10 % is disbursed after 1 year against the monitoring result. Upon examining the advance and bank guarantee in the case of solar home systems, it was found that the advance given do not align with the delivery mechanism and the period of bank guarantee has also expired. NPR. 30,450,199.41/- should be recovered.	2016	Open		Closed.

4.3 Preliminary Report 2071/72⁴ (2014/2015)

S.No ⁵ .	Issues/Findings	Raised	Status as on 15 th January, 2016 based on OAG Preliminary Report	Management Response	Status as on 31 st July, 2018 based on Follow-up via Compliance Review
5.	Reimbursement not claimed:- The Financial Procedures Rules, 2064 section 37 (2 Ga), in cases where reimbursement has to be taken from the Donor for the expenditure incurred out of the sources of the Government of Nepal. It shall collect the statement of expenditure and other necessary details from the Subordinate Office or program implementation unit, examine them, determine the reimbursable amount, and prepare the	2015	Open		Closed.

⁴ The major findings of the report are only presented

⁵ The S.No refers to the exact serial number as in the OAG's preliminary report

	requisition form as per the Guidelines of the Donor and request the concerned Donor for reimbursement within forty-five days in the maximum. As per the agreement with world bank out of expended amount of NPR. 32,145,596/- from IDA Grant No. 676 – NEP , NPR. 11,428,220.80 related to previous F.Y and NPR. 2,572,702.60/- related with current F.Y which has total of NPR 14,000,923.40 /- hasnot been reimbursed.				
11.	Advance Payment: An agreement with L.S. Solar Asia for supply of 1500 pieces of lighting and charging system at the time of earth quake which has been paidin advance of NPR. 9,892,500/- after submitting bank guarantee. The amount has not been booked as advance in financial statement.	2015	Open	Memorandum prepared for the settlement.	
12.	TDS not deposited: As per the internal	2015	Open		Closed

	audit report of FCGO, TDS on vehicle hire amounting to NPR. 1,334/- deducted not deposited during the advance settlement				Settled via OAG challani/ letter no. 2074/075/565 dated 2075/03/01
16.	3311083 Alternative Energy Promotion Centre (AEPC): TDS has to be deducted from suppliers on supply of solar light charging system during the earth quake amounting to NPR. 936,642/-	2015	Open		Settlement of NPR. 626,695/- via OAG challani no. 45 dated 2073/08/07 and remaining amount of NPR.306,947/- to be settled.
NRREP					

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4.	<p>VAT:As per the contract made between government of Nepal and Danida dated 1stDec 2012 entire vat amount paid for the operation of NRREP shall be refunded. As mentioned in contract, vat amounting to NPR. 18,138,241 paid to various suppliers has yet to be refunded.</p>	2015	Open		<p>Vat refunded NPR. 8,844,283/- via OAG report challani no. 99 dated 26/11/2073.</p> <p>Vat refunded NPR. 2,702,868.76/- via OAG report challani no. 122 dated 12/12/2074.</p>
5.	<p>Amount to be received:- Agreement has been made with Nepal Biogas Promotion Association to implement various program. NPR. 10,630,000/- was released to the association. As per the monitoring report, Nepal Biogas Promotion Association could not submit detail of expenditures and it was concluded that NPR. 6,200,000/- needs to be recovered. Only NPR. 500,000 has been recovered</p>	2015	Open		<p>Closed</p> <p>Settled via OAG report challani no. 99 dated 26/11/2073.</p>

	until the current fiscal year, the balance NPR. 5,700,000/-is yet to be recovered.				
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5 Findings/Recommendations, Response and Status of Internal Audit Reports

5.1 Internal Audit Findings 2073/74 (2016/17)

Budget Sub Head No.	J.V.No.	Date	Findings	Amount	Status as on 31st July 2018
3311083	35	2073.06.10	As per travelling Expenditure Rule 2064, TADA should be given to employee on field visit but in the case of return day only 25% should be paid but for date 2073/06/10, TADA has been paid at 50%. So Extra amount has to be recover from concern employee and should be deposit to revenue account	4,500	Closed
3311083	43	2073.06.13	As per travelling Expenditure Rule 2064, TADA should be given to employee on field visit but in the case of return day only 25% should be paid but for date 2073/06/10, TADA has been paid at 50%. So Extra amount has to be recover from concern employee and should be deposit to revenue account	1,400	Closed
3311083	109	2073.07.29	As per travelling Expenditure Rule 2064, TADA should be given to employee on field visit but in the case of return day only 25% should be paid but for date 2073/06/10,	6,200	Closed

			TADA has been paid at 50%. So Extra amount has to be recover from concern employee and should be deposit to revenue account		
331108 3	125	2073.08.20	As per travelling Expenditure Rule 2064, TADA should be given to employee on field visit but in the case of return day only 25% should be paid but for date 2073/06/10, TADA has been paid at 50%. So Extra amount has to be recover from concern employee and should be deposit to revenue account	13,150	Closed
331108 3	269	2073.11.24	As per decision dated 2073/09/11 for the Travel to India, 4 person have been selected. Passport was provided on recommendation of ministry but Srijana Pandey has taken NPR.10000/- for passport which is to be recover and deposit in the revenue account	10,000	Closed
331108 3	381	2074/02/1 8	Amount of advance of NPR.21,76,967 given to Husk Power Nepal/ Galawa construction Services Pvt. Ltd on date 2074/02/18 remains unsettled .	2,176,967	Closed
331108 3	473	2074/03/1 9	Advance given to Birat Energy Pvt.Ltd on 2074/02/18 of NPR.169,938 remains unsettled	169,938	Closed
331108 3	503	2074/03/1 9	Amount of NPR.90,000 has been given to Santosh Rai for World Bank Mission in Mustang District For Taxi Fare. The amount requires VAT bill, Driver's license, Blue book etc has to be presented in office.	90,000	Closed
331110	224	2074.02.08	Base on approval for Travelling to Biratnagar and Sindhuli on dated 2073/10/17 to 10/	69,000	Closed

3			23, after observation return through Hetauda to Sindhuli. TATA Sumo reserved for NPR 69,000 but the rate provided from transport committee has to be provided to regularize the expenses.		
331110 3	378	074.03.19	Payment was made to Ram Prasad Yadav for repair of personal cycle and motorcycle amounting NPR 24,253.00.	24,253	Closed
331110 3	399	074.03.19	Advance given to Shree Khilungwalika Agro Firm has not been settled till amounting NRs 19,083,105.12	19,083,10 5	Closed
331110 3		074.03.19	Advance given to Shree Nepal Energy Development Company NRs 2,600,000.00 has not been settled	2,600,000	Open

5.2 Internal Audit Findings 2072/73 (2015/16)

Budget Sub Head No.	J.V.No	Date	Audit findings(Unapproved)	Amount	Status as on 31st July 2018
3311083	.		Unpaid Cheque 5 numbers NRs.2955 from chq no:1326375 NRs.2955 from chq no: 84449549 NRs.1970 from chq no: 84449559 NRs.33450 from chq no: 84464120 NRs.19700 from chq no: 84470052	61,030	Closed

5.3 Internal Audit Findings 2071/72 (2014/15)

Budget Sub Head No.	J.V. No.	Date	Audit findings(Unapproved)	Amount	Status as on 31st July 2018
3311083	355		Payment made NPR. 695,002 by pro-rata basis, basis for the payment needs to be submitted or the amount has to be recovered.	695,002	Partial progress made of amount NPR. 25,000/-

6 Findings/Recommendations, Response and Status of 3rd NRREP Compliance Report

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
HR					
1	It is recommended that a high level responsible as soon as possible is appointed and dedicated overall coordination, development, improvement and management of the Human Resource area. The SoD draft presented to Compliance Unit supports this recommendation. It is recommended that the AEPC prioritizes the implementation of the SoD.	2013	Open	HR part is closed. SOD part is under progress.	Director Mr. Rudra Prasad Khanal has been assigned to lead Administration Division to oversee the coordination, development, improvement and management of the Human Resource area. Additionally under the division General Administration and Human Resource Development section is dedicated for overall human resource management of AEPC. Though this recommendation of SOD has been implemented With the onset of

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
					federalism, in this changed context, the need to revise the SOD remains is under progress.
2	It is recommended that AEPC integrates performance monitoring and performance evaluation in the ordinary planning process and in the SoD document currently being processed by AEPC. It is recommended that AEPC prioritizes the implementation of the SoD.	2013	Open	Performance monitoring and evaluation part closed. SOD implementation in progress	The performance evaluation is integrated in the planning process. Performances of AEPC staffs are evaluated on an annual basis by Administration Division. Furthermore consultants are required to prepare monthly progress report and submit it to administration section through respective sections SOD is currently being revised.

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
3	It is recommended that a high level position as soon as possible is created, dedicated overall coordination, development, improvement and management of the Human Resource area. The area of responsibility should include staff files, elaboration and maintenance of job descriptions, skills register etc. The current SoD is recommended to be supplemented with a proper Organizational Analysis to, among other, ensuring that management, structure and staff is adequate and efficient in contributing to department and component goals.	2013	Open	HR part is closed. SOD part is under progress	HR is Covered by point 1. SOD is being revised.
IT and Financial Management					
4	Compliance Unit suggests AEPC management to	2013	Open	In progress	The process is ongoing. The said

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	<p>ensure monthly reconciliations of subsidy applicant accounts and suggests incorporating in Navision management of areas like retentions, penalties and bank guarantees.</p> <p>Compliance Unit suggests AEPC to establish adequate procedures for capturing monitoring results and for registering, processing and archiving these results.</p>				<p>modules have been developed in Navision and the quality assurance of the system is ongoing .</p> <p>Monitoring and Reporting System has been developed and the quality assurance of the system is ongoing.</p>
5	<p>Many manual financial management tasks should be considered to be handled by Navision (penalties, retentions, bank guarantees, payroll) and the database structure should be revised to ensure integration and simplified maintenance. Resources are invested in continuous IT development when</p>	2013	Open	In progress	<p>The process is ongoing. The said modules have been developed in Navision and the quality assurance of the system is ongoing.</p> <p>While, the technical aspect of Subsidy such as collecting electronic forms,</p>

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	changes in subsidy delivery mechanisms need implementation, and the related financial administration should be included in this development.				verifying and approving these form are done via Online Subsidy Application Management System.
6	The conclusion from the IT audit was that because of the severity of the deficiencies, information control, system security and general controls are inadequate to protect the integrity and reliability of financial and programmatic data. AEPC management is recommended to acknowledge that vital parts of the programmes activities, monitoring and subsidy administration, relies on IT as does the financial administration. Hence AEPC management is recommended to solve the issues	2014	Open	In progress	Development and implementation of Online Subsidy Application Management system was a result of this recommendation. Further, the compliance unit in 2018 is conducting a software focused IT audit to ensure reliability and to point out further recommendations required to make the software robust.

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	raised with the highest priority and to avail the necessary funds with the same priority.				
7	<p>AEPC assigned a person or a department to check that:</p> <ul style="list-style-type: none"> • Each Annual Progress Report (APR) is in compliance with rules, regulations and agreements • A close connection is ensured between the Annual Work Plan and the annual reporting on the execution of the Annual Work Plan's (AWP's) budget etc. • The APR draft compare with respective AWP and verify the detailedness of financial reporting levels, ensure financial 	2014	Open	Closed	<ul style="list-style-type: none"> • APR is made in proper consultation. Technical data are collected from the respective technical component and further financial data are collected from CREF. This process involves cross verification between financial and physical data. Monitoring and Evaluation section is assigned to verify the data and version control table has been introduced for the quality assurance of the APR. Report and formats for APR are

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	<p>information is correct and on correct reporting levels.</p> <p>As some information was omitted in the 2012/13 reporting, the revised information was shown in the latest APR. A complete balance and expense/income statement was included in the latest APR.</p> <p>But major differences have been found between physical progress data and financial data and also between different sources of financial data.</p> <p>It is recommended to improve the quality of data shown in the APRs by prioritizing the quality control work already initiated.</p>				<p>prepared based on specific donor requirement and government requirement.</p>

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
8	AEPC management is recommended to ensure an improved two way communication between the Planning Department and the Finance Department on especially regular follow up on budget execution and elaboration of Annual Progress Reports.	2014	Open	Closed	The Planning Department conducts trimester and monthly reviews with technical departments and finance department which has resulted in an improved two way communication.
9	AEPC should ensure a proper and participatory planning process, including all stakeholders to ensure completeness and correctness of information. Furthermore should the planning process be designed in such a way that build in control mechanisms detect and address issues like diversions from Programme Document obligations.	2014	Open	Closed	AEPC conducts a participatory planning process in alignment with the government planning process and agreement between development partners and government.
10	It is recommended that NRREP/AEPC	2014	Open	Closed	The project duration of NRREP basket

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	<p>management stops the praxis of unrecorded financial transactions and instead starts fully adhering to the Programme Document's accounting provisions.</p> <p>All NRREP related transactions must be timely and fully recorded in the NRREP bookkeeping in accordance with the Administrative and Financial Guidelines.</p>				<p>fund programme has ended which has now affected the validity of the NRREP Administrative and Financial Guideline. The financial management system is now covered by the government accounting system for all the government related transactions. Additionally AEPC also adheres to specific requirements of bookkeeping for development partners</p>
11	Several instances were noted where data presented in Annual Progress Reports (APR) were different from data extracted by Compliance Unit from the system.	2015	Open	Closed except points 3 and 8	In case of APR, Technical data are collected from the respective technical component and further financial data are collected from CREF. This process

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	<p>Based on the review following recommendations are made for improvement in system of internal control:</p> <ol style="list-style-type: none"> <li data-bbox="360 783 965 943">1. Role of Monitoring and Quality Assurance Component should be increased to include responsibility for verification of data obtained from different technical components. <li data-bbox="360 983 965 1142">2. The physical progress sent by the component should be backed by supporting documentation and it should be properly documented and should be readily available for verification. <li data-bbox="360 1182 965 1342">3. There should be policy of proper handover in exit policy. Department head should ensure that all the necessary document is properly handed over. There should be central depository of data in case of soft 				<p>involves cross verification between financial and physical data.</p> <ol style="list-style-type: none"> <li data-bbox="1487 743 1953 1007">1. The verification process is now done by the Planning Section. Monitoring and Quality Assurance unit's role is focused on technical verification of systems installed and distributed. <li data-bbox="1487 1015 1953 1238">2. Individual sections are responsible for providing the document. The supporting document are readily available for verification incase the planning section requires it. <li data-bbox="1487 1246 1953 1350">3. AEPC recently conducted a digitization process of subsidy application forms which are

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	<p>copy document managed by the department head.</p> <p>4. Achievement of target should be recorded only based on data provided by REF/CREF which is based on payment to vendors.</p> <p>5. Fund receipts from different donor are booked as income on the basis of the bank statement, particularly Nepal Rastra Bank. However, a praxis of verifying the income booked with correspondence from the sending donor should be introduced.</p> <p>6. Progress of the component is shown as per payment made by REF to the party. Hence there is no progress as long as REF has not made the payment.</p> <p>7. All fund received for NRREP project</p>				<p>now available in the central depository system of AEPC. AEPC also maintains data in the network server. In case of staff exits, it is mandatory for AEPC's respective section heads and senior management to approve the clearance form. This however needs to be enforced in a strict manner as a recent issue shows that proper knowledge transfer didn't take place in case of IT unit especially on the Monitoring and Reporting System.</p> <p>4. Achievement of targets are based on the data provided by CREF.</p> <p>5. This is in practice and</p>

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	<p>should be recorded in project bank account.</p> <p>8. Long delay in preparation of monitoring report should be properly justified.</p> <p>There should be clear policy while accepting funds from the development partner. Every fund received from development partner should be guided by AEPC/ NRREP policy.</p>				<p>confirmations are received from donors.</p> <p>6. Point no 4</p> <p>7. NRREP basket fund project has now ended</p> <p>8. A software MRS was introduced by AEPC to handle these delays. The quality assurance of the software is ongoing.</p>
12	<p>RSC disallowed financial management praxis</p> <p>The audit team had identified a number of deviations where the risk for fraud was assessed as high. The audit team's subsequent verification in the field of those did not reveal any case of fraud.</p>	2015	Open	Closed	<p>RSC Finance Controller was appointed for the purpose and with the closure of NRREP basket fund programme, the position has now been terminated.</p> <p>The disallowed amount has been recovered by AEPC.</p>

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	<p>Findings in general resemble 2013/2014 audit report. AEPC warned based that report's findings the RSCs that repetition of these deviations would not be tolerated. Further the RSCs received training addressing the identified weaknesses in their administration of the fund.</p> <p>Despite these actions more and repeating types of errors were found in the 2014/2015 review.</p> <p>Disallowed amounts should be recovered from concerned RSCs without delay and AEPC should present action plan to address the issues.</p> <p>To establish effective financial accounting and control it is recommended to centrally appoint a financial controller responsible for receiving and checking all vouchers and supporting</p>				RSCs have now been termed as RSTP and the contract is now based on output.

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	documentation and for accounting for all expenses occurred at the RSCs. It is recommended that current fund disbursement modality is replaced by replenishment/reimbursement based.				
13	RSCs' budget utilization and physical progress have found to be low. The RSC Guideline prescribes an 80% performance rate in order for contract renewal to be considered. Besides fulfilling guideline requirements, AEPC/NRREP performance in general links up with RSC performance. A low performance at RSC level will automatically lead to a low AEPC/NRREP performance. Thus it should be in AEPC/NRREP's interest to have RSCs meet their targets as close to 100% as possible.	2015	Open	Closed	Since role of RSCs has transformed into RSTP with a clearly defined output based model. It is mandatory for RSTPs to work effectively and achieve the desired outputs.

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	<p>The low performance on financial management, budget utilization and physical progress are recommended to be solved by focusing each RSC's tasks and by simplifying physical implementation as well as the administrative burden. The administrative burden will be simplified partly through the related recommendation in this report and by focusing the physical targets of each RSC.</p> <p>The physical targets should be focused by letting each RSC concentrate on a fewer number of technology areas and types of tasks.</p> <p>Tasks and areas no longer embraced by existing RSCs will need to be considered for eventual alternative implementation model.</p>				

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
14	<p>During the financial review of Regional Service Centers (RSC) Financial Year 2014/15, the by Compliance Unit hired auditor reported on disallowed amounts related to BGDF, Business Group Development Fund. Under BGDF stove masters have been able to claim 100 Rs from the Programme per mud stove constructed.</p> <p>No BGDF guideline has been approved by Programme Steering Committee and no subsidy has been approved for mud stoves in the subsidy policy.</p> <p>On the contrary was it explicitly decided to remove subsidy to mud stoves with the start of NRREP and the current subsidy policy states that no direct subsidy will be provided for the promotion of</p>	2015	Open	Closed	The BGDF case has been closed and the amount has been refunded.

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	household mud improved cook stoves. It is recommended to let Compliance Unit identify the exact expense and amount paid under BGDF.				
15	It is with reference to the BGDF case recommended to strictly follow the principle that payment of any expense under the programme must follow approved guidelines and policies. It is recommended that GoN and DPs decide on consequences concerning the unauthorized expenses, to be identified by Compliance Unit, allegedly amounting to 60-70 million Rs.	2015	Open	In progress	The disallowed amounts have been refunded. Furthermore, final audit of NRREP basket fund is ongoing.
Procurement					
16	AEPC management's positive development in AEPC/NRREP's procurement management has	2014	Open	Closed	The single programme modality of NRREP basket fund has completed its

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	been noted, but based on a new ADB SASEC agreement it is recommended that AEPC defines and communicates a clear strategy for alignment of NRREP's current as well as future sources of income. NRREP is a single programme modality, but a policy is absent as to the extent of alignment with Programme Document, NRREP Guidelines and management, hereunder procurement management.				due course. AEPC Board has now endorsed NREF an overarching framework where different projects are aligned for fulfilling common purpose.
17	To avoid deviations in a supplier's deliveries, like in the case of NBPA, it is recommended to have all contracts for delivery of goods, services and consultancy services quality assured by the Procurement Unit before signing.	2015	Open	Closed	The recommendation is followed by AEPC. The Procurement unit strictly follows PPA and PPR and all the provisions relating to quality of assurance of goods and services.

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
Regulations					
18	<p>It is recommended that AEPC establishes a function for cross component coordination of system development, risk and control assessment and subsidy policy development to ensure quality and a streamlined development, which maximizes the benefit of synergy, shared experiences, expert knowledge etc.</p> <p>Compliance Unit furthermore recommends AEPC to program controls in the existing Navision system to lessen reliance on manual controls and in general prioritize considerations on introducing a paperless subsidy application system.</p>	2013	Open	Closed	<p>Planning unit and Integrated Subsidy Processing unit acts as a cross component coordination system</p> <p>Paper less subsidy application process has been introduces via Online Subsidy Application Management System.</p>

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
19	Compliance Unit suggests AEPC to go through past subsidy payments to check for eligibility under the provisions for already electrified areas. In cases of applicants wrongfully having applied for subsidy for installation in electrified areas, Compliance Unit recommends AEPC to consider a proper corrective measure concerning the subsidy already paid and the continued prequalification of the company.	2013	Open	Closed	The third party monitoring process has the provision of verifying “already electrified areas”. If found the deviation are reported to AEPC and corrective measures are applied.
20	If the component decides that the end user price is not decisive for approval of a subsidy application, then the information should not appear on the subsidy application. Alternatively should it be clearly stated that the actual paid price is allowed	2013	Open	Closed	Standard packages are pre-defined by NEPQA. In case of additional requirement of users, this is done based on the mutual agreement between the user and the company.

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	<p>to differ from the one indicated in the application and may include payment for the standard subsidized package and additional goods/services.</p> <p>Alternative suggestion: Additional goods and/or services should be mentioned separately in the subsidy application including the price. If not included the subsidy application cannot be accepted.</p> <p>Compliance Unit would like to suggest the components to identify a clear policy on this area.</p>				
21	It is suggested that subsidy guidelines are simplified and made uniform for all components including clear guidelines on compliance and consequences in terms of lack of company	2013	Open	Closed	The Renewable Energy Subsidy Delivery Mechanism 2016 covers the penalty applications.

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	compliance to guidelines. Similarly it should be clear what staff penalties are if control guidelines are not adhered to. AEPC staff guideline should describe procedures for follow up on any breach of rules, agreements, contracts etc. and thereby ensuring transparent and fair treatment of all parties.				Further in case of staff control guidelines, AEPC Employee Regulation and Financial Mismanagement and Fraud Prevention Guideline are in place which describes the procedures.
22	It is Compliance Unit's opinion that a specific installer company has shown that its warehouse management skills are insufficient to ensure proper separation of failed and approved products. The component is suggested to take proper action to ensure that companies no longer fulfilling the prequalification requirements are disqualified.	2013	Open	Closed	AEPC now applies the mechanism of competent company which includes pre-published criteria for competency which ensures the quality assurance of the companies. The process of registering as competent company is remains open throughout the year and

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	<p>It is Compliance Unit's opinion that RETS has shown that it does not possess an adequate system for registering tested items and test results. RETS has in a meeting confirmed that it does not control against resubmission of items, which have already failed once. Currently AEPC cannot rely its control on communication or test results from RETS.</p> <p>Based on the above results of the preliminary review Compliance Unit plans a thorough audit of the area and RETS has allowed Compliance Unit access to perform audit of systems, procedures, registries etc. at RETS in order to assess the quality of the controls and identify errors.</p>				<p>monthly evaluation of the received application and result publication is in place .</p> <p>RETS have been communicated on the compliance unit issues. Since RETS is a separate institution outside of AEPC, thorough audit of RETS does not fall under the jurisdiction of AEPC.</p>
23	It is recommended that the regulatory part of all	2015	Open	Closed	AEPC followed the recommendation

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	documents subordinated the Subsidy Policy goes through the Programme Steering Committee before implementation or further approval process to ensure conformity with DP and GoN's requirement for good control praxis.				while revising the Renewable Energy Subsidy Policy 2016 and Renewable Energy Subsidy Delivery Mechanism 2016.
24	<p>The quality assurance and monitoring guidelines themselves should be restructured and kept in a form and a language used for legal matters. Compliance Unit recommends the entire set of regulations to be reformulated in this way.</p> <p>Compliance Unit suggests a complete reformulation of the monitoring and quality assurance regulations. Instead of listing concrete situations, that are to be penalized, the guideline</p>	2013	Open	Closed	While reviewing the Renewable Energy Subsidy Delivery Mechanism 2016 the regulation part has been made part of the document.

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	should contain descriptions of what should be achieved and how it should be penalized if not achieved. The regulations should support the objectives of the subsidy system and help lowering the risk of unintended subsidy payments and system installations.				
25	During the 2015 review grave weaknesses and loss of subsidy funds were unveiled under the ISPS subsidy provisions. Weak control structures and a poorly formulated subsidy delivery mechanism had invited supplier companies to cartel and collude and to over size and over price RET installations. The poor technical quality of physical installations found in the compliance review in 2014 could be a	2015	Open	Closed	The recommendation of the compliance report have been incorporated. Subsidy delivery policy and mechanism 2016 have been revised and aligned Public Procurement Act and Public Procurement Regulations.

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	<p>natural result of this collusion.</p> <p>The conclusion of the forensic investigation of the ISPS II reviews should be applied to all cases where Compliance Unit has found breach of rules for</p> <ul style="list-style-type: none"> - on a competitive basis ensuring at least three sealed quotations and/or - at least 25% of the installation price to be paid by the institution receiving the subsidized system <p>In these cases AEPC should declare the subsidy amount null and void.</p>				
26	Subsidy applications forms have been submitted under the biogas subsidy scheme with false photos	2015	Open	Closed	The recommendation have been followed as per the Renewable Energy

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	<p>attached. We have in 7 cases found that the same building has been used as photo background for documentation for 2 different installations. That this was not due to 7 different errors can be seen from the fact that different persons pose as house owner of the same house on the different photos.</p> <p>Although the deviation was obvious it took the component a considerable amount of time to finalize the follow up and impose penalty, despite the component not having other activities to attend to during the period of follow up.</p> <p>In March 2015 the component promised to follow up on cases of double subsidy claim for same installation and false information. The component</p>				Subsidy Delivery Mechanism 2016.

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	<p>only at the end of 2015 initiated some form of follow up.</p> <p>It is recommended that biogas installer companies are disqualified when having more than one case of submission of false documentation. Further if the company not immediately agrees to return 50% (as suggested by AEPC's head of Operations) subsidy as penalty, the concerned SAFs should be fully rejected in accordance with subsidy policy and delivery mechanism.</p>				
27	Subsidy applications forms have been submitted under the biogas subsidy scheme with false photos attached. We have in 7 cases found that the same building has been used as photo background for	2015	Open	Closed	The recommendation has been followed. The companies have been penalised.

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	<p>documentation for 2 different installations.</p> <p>It is recommended that the component goes through a larger sample for the companies involved in the above for renewed verification and consideration of consequences.</p>				
28	<p>The NGO BSP/N has been contracted by the programme to check the biogas SAFs before submission to AEPC and has upon request related to the above explained that they are understaffed, which is why this kind of deviation has not been captured. AEPC should reconsider its continued cooperation with the NGO and should at least agree a part to be returned for BSP/N of the fee paid for the contract year in which the above</p>	2015	Open	Closed	<p>The recommendation has been followed. The introduction of Online Subsidy Application System has resulted in AEPC's Integrated Subsidy Processing Unit, CREF and Handling Bank in checking the Subsidy Application Forms (SAFs). BSP/N is no longer assigned the task for SAF checking.</p>

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1 st January 2018	Status as 31 st July, 2018	Remarks
	occurred.				
29	Despite the serious consequences of AEPC's slow follow up on similar cases of false documentation under the ISPS subsidy programme, AEPC continues hesitant in its follow up on deviations in the area of biogas. It is recommended AEPC to disseminate the lessons learned from ISPS I and II to the rest of the organizations and all main suppliers to the programme. Disciplinary actions should be considered in relevant situations and in the current situation at least verbal advice should be given to the head of Biogas subcomponent.	2015	Open	Closed	The recommendation has been followed.
30	A part of the ISPS II action plan agreed between AEPC and Development Partners entailed change	2015	Open	Closed	The policy has been revised in 2016. The delivery mechanism has been

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	<p>of subsidy delivery mechanism and AEPC has on several occasions committed to changes which will limit cartels and ensure free price competition.</p> <p>AEPC should ensure this commitment in all aspects of the upcoming subsidy delivery mechanism for all technologies and solutions. AEPC is recommended to remove all sorts of limitation of access to participation in competitions for installation of any type and size of RE technology solution under GoN's subsidy policy. AEPC is further recommended to remove all sorts of provisions for reference prices, standard prices etc. under GoN's subsidy policy and let the price in all aspects be set through competitive bidding processes following PPR/PPA. Finally AEPC is</p>				<p>aligned with the PPA PPR which has now removed the provisions for reference prices, standard prices. The introduction of competent companies as described previously has eliminated the limitation to participate.</p>

S.No.	Proposed Action	Raised	Status as per Compliance Report dated 1st January 2018	Status as 31st July, 2018	Remarks
	recommended to ensure documented financial closure on all relevant projects, for instance by requiring other parties' contributions to be deposited with Handling Bank.				

7 Findings/Recommendations, Response and Status of Compliance Unit Findings

S.No	Issues/Findings	Raised	Status as per the raised date	Management Response	Status as on 31st July, 2018 based on Follow-up via Compliance Review
1.	Missing Subsidy Application Forms Biogas: The digitization process of	2017	Open		Closed. The external verification

	subsidy application form and subsequent development of a software to view the digitized forms showed a mismatch in number of the forms. The physical reconciliation process could not identify all the forms, hence the forms not found were subject to scrutiny.				team took 100 samples of biogas installations which have been located.
2.	Compensation to levied on Nepal Red Cross Society and Nepal Energy Development Compmany Limited post monitoring of distribution and installation of renewable energy technologies (Metallic Improved Cooking Stoves ,Small Solar Home Systems and Biogas) to earthquake victims	2017	Open		Open Penalty on Nepal Red Cross Society has been levied, total NPR. 2,878,848/- was deducted from the final payment. The compensation amount from Nepal Energy Developpment Company Pvt. Ltd. NPR. 184,303/- is yet to be recovered.

3	Procurement related findings on Namsaling Community Development Centre (NCDC) reported in the audit report	2017	Open		Closed. The compliance unit conducted an internal verification to concluded the issues. The total cost in question was NPR. 263,500/-.
4	Complaint received by the biogas sub-component through anonymous telephone call on Machapuchre Biogas Company, Byas Municipality, Tanahu on submitting Subsidy Application Forms without the constructions of Biogas plants	2018	Open		Open Total 64 numbers of cases are eligible for 200% penalty. Against 64 deviations found, the compensation for domestic biogas plant should be charged to Machapuchre Biogas Company, Byas Municipality, Tanahu. The total amount to be charged is NPR.

					3,920,400.00
Subsidy Application Management System (SAMS Software)					
5	Documents regarding software testing before taking the software in the production environment and approval of the software to be officially used in Solar Home system Project could not be verified. In the 70 th minutes of the Subsidy Review Committee Meeting, it has been mentioned that the software has been demonstrated to the management and they appreciate the work done by IT department. However, any document showing the software has been approved and testing process of software could not be verified. Only based on the demonstration of software by the single person who developed the software himself, it was unofficially used in the project Solar Home System.	2018	Open	The formal approval process will be followed. AEPC management will initiate this process is for SAMS.	Open

6	<p>The following documents associated with the software development could not be verified. As per management all the instructions were communicated verbally and performed the task without any documentation.</p> <ul style="list-style-type: none"> a) Installation and Configuration Manual b) Development Documentation c) Maintenance Manual d) User Manual e) Changelog f) Documentation of software test g) Software Requirement Specification <p>The user manual and software requirement specification documents are critical</p>	2018	Open	<p>Due to time and resource constraint, we were not able to develop these manuals. AEPC ensures that these manuals will be developed. Based on the importance/priority of the documentation, AEPC management will initiate the documentation process.</p>	Open
7	<p>Access control list of permissions has been documented prior to entering the software in the production environment. Any documents showing</p>	2018	Open	<p>The user login credentials have been circulated via email to respective components and third parties. The roles have been defined only in the database without</p>	Open

	access control in the system of different users and their limitations could not be verified.			documentation. Table named apn.a_Role , apn.a_Permission and apn.a_User_Setup contains the details of the users roles. AEPC will formalize this process	
8	Out of the total subsidy amount to be granted to the solar companies the cost of battery shall be deducted and same shall be kept separate as battery management fund for future use. However the whole amount i.e. total subsidy amount has been disbursed to the companies without making any deduction of battery cost.	2018	Open	The battery amount is actually deducted and reflected in the system in the Memorandum section's memo and summary in SAMS. This report can be viewed through the system and this report is presented to Subsidy review Committee for approval and sent to bank for payment.	Closed
9	The rule as per Subsidy policy for classification of areas in Very Remote (A), Remote(B) and Not Remote(C) has not been duly followed during coding of same in system. The list of deviation is available in the IT audit	2018	Open	AEPC will ensure that the recommendation is implemented and the VDCs will be categorized according to the policy document.	Open
10	While computing the subsidy amount, the rule as specified above in system has not been duly followed in various instances and mismatch results has	2018	Open	AEPC will implement the validation control in the system.	Open

	been obtained while the calculation is performed. Although the rule is active in the system it does not cover all the cases. This has been caused due to absence of appropriate rule validation check in the system. The details are in the IT audit report				
11	No audit trail has been developed during the development of the system. The audit records such as what the event was, what system, user or application launched the event and the date and time such event occurred could not be identified in the system.	2018	Open	AEPC will initiate the process of maintaining audit trail	Open

12.	No disaster recovery plan was made. Although the agreement was signed with the vendor no backup was maintained by such vendor. The system automatically take backup and such back up are saved in the local server but any planning regarding safety of data in case of server get crashed has not been made.	2018	Open	The DR backup is being maintained at AEPC since 18th April 2018. Previously the back-up maintenance was outsourced to a vendor. The negligence of vendor has prompted AEPC to maintain this internally and further exploring options to maintain the back up outside of AEPC.	Open AEPC has maintained the backup system internally, the backup is yet to be maintained outside of AEPC
Monitoring and Reporting System					
13.	The monitoring and reporting system (MRS) will not be in operation for recording the deviations of the third party monitors and calculation of penalty. This means the process covered by the software will be manual exposing the process to potential risks of financial mismanagement and clerical errors. New development or re-establishment of the existing software with proper quality assurance is necessary.	2018	Open	Post restructuring, AEPC has initiated an analysis of the existing software. The analysis will incorporate expanding the existing system at federal, provincial and local level government.	Open

Human Resource					
14.	In the area of HR, AEPC has introduced digital attendance system mandatory for all the employees additional to the manual staff attendance register books.	2018	Open		Closed

1st Compliance Report

Alternative Energy Promotion Centre, Khumaltar, Lalitpur

31st July, 2018