

Government of Nepal
Ministry of Energy, Water Resources and Irrigation
Alternative Energy Promotion Centre

Financial Mismanagement and Corruption Prevention Resource Book

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1. Background

To maintain and promote transparency and accountability and to prevent corruption across the nation, government institutions of Nepal adheres to national legislation and international best practices to maintain a high level of ethical standards and accountability to develop mutual trust among the stakeholders at large in Nepal.

Following institutions and mechanism have been established in Nepal to maintain transparency and accountability and to prevent corruption:

- Commission for Investigation of Abuse of Authority (CIAA) as an apex constitutional body with its tentacles in the country to curb corruption.
- National Vigilance Centre (NVC) and
- *Hello Sarkar* mechanism under the Office of Prime Minister and Council of Ministers (OPMCM) are the other designated agencies of GoN to promote good governance and control corruption.

Nepal also adheres to international standards related to anti-corruption measures. In 2011, the government ratified the United Nations Convention against Corruption (UNCAC), and the government adopted the second National Anti-Corruption Strategy in 2012 to address the UNCAC obligations. The development of anti-corruption laws indicates that successive governments since 1952 have shown some level of commitment to curb corruption in Nepal. Anti- corruption legislation has been widening the scope and coverage in its development.

2. Introduction

The Alternative Energy Promotion Centre (AEPC) was formed under the Alternative Energy Promotion Development Board Formation Order, 1996 (2053 BS) as a Government institution under the umbrella of the Ministry of Science and Technology with the objective of developing and promoting renewable/alternative energy technologies in Nepal. AEPC is currently under the Ministry of Energy, Water Resources and Irrigation. It is a semi-autonomous organization with an eleven-member board represented by the government sector, industry sector and non-governmental organizations.

2.1 Vision:

An institution recognized as a regional/international example of promoting large-scale use of renewable energy sustainable and a national focal point for resource mobilization. The focus is to make AEPC recognized as an active institution promoting Renewable Energy Technology in the region.

2.2 Mission:

AEPC's mission is to enable the transition to renewable energy by supporting the delivery of cost-effective, sustainable, renewable energy to all people of Nepal. AEPC aims to make renewable energy mainstream resource through increased access, knowledge and adaptability contributing for the improved living conditions of people in Nepal.

2.3 Objectives:

- i. Popularize and promote the use of alternative and renewable energy technologies.
- ii. Raise the living standard of the rural people
- iii. Protect the environment.
- iv. Develop commercially viable renewable alternative energy industries in the country both in rural & urban area.

3. Scope and Application

There are a number of anti-corruption provisions embedded in different laws, guidelines and manuals that are applicable to AEPC's functioning. This current document makes clearer reference to relevant provisions related to anti-corruption for ease of reference and/or to adopt them into AEPC's operation. All of AEPC policies, procedures, and guidelines are governed by the government systems. The relevant laws and regulations include the following:

- Financial Procedure Act 1999¹ and Financial Procedure Rules 2007(2064 BS)²
- Public Procurement Act 2007³ and Public Procurement Rules 2007⁴,
- The Prevention of Corruption Act, 2002 (2059 BS)⁵
- Right to Information Act 2007 (2064 BS)⁶and Right to Information Regulation 2009 (2065 BS)⁷

¹<https://www.scribd.com/document/62703188/Financial-Procedures-Act-2055-1999-En>

²http://www.moc.gov.np/downloadfile/the-financial-procedures-rules_1470736726.pdf

³http://ppmo.gov.np/image/data/files/acts_and_regulations/public_procurement_act_2063.pdf

⁴http://ppmo.gov.np/image/data/files/acts_and_regulations/public_procurement_rules_2064.pdf

⁵<http://www.gogofoundation.org/downloads/Prevention%20of%20Corruption%20Act-2002.pdf>

- Asset (Money) Laundering Act 2008 (2064)⁸

Additionally, the following international policies and principles are relevant to this document:

- Policies addressing fraud, corruption and other prohibited practices, policies addressing anti money-laundering and countering the financing terrorism(Status update), Green Climate Fund, 18th October 2015
- General Principles on Prohibited Practices, Green Climate Fund, Feb 2016(Exhibit A, see Annex 5)
- Anti-corruption policies and strategies of relevant institutions including UN Anti-corruption policy and strategies

AEPC has adopted a zero-tolerance policy against corruption, thus it is deemed necessary to take all necessary preventive and punitive measures to curb and prevent corruption. While the government of Nepal has promulgated numerous acts in relation to financial management, procurement and mismanagement, which AEPC must adhere to, adhering to these rules and regulations, is not realized automatically, rather an organization needs to design mechanisms to ensure compliance with those measures.

The following document serve as a guidance document for AEPC staff and stakeholders to ensure strong governance practices are adhered to and to maintain a corruption free work environment. Its effective implementation will be reviewed periodically to incorporate changes and areas for improvement over time. Any new government rules and regulations will also be incorporated into the document as they are adopted.

The main objective of this document is to outline the institutional and legal mechanism on financial mismanagement and corruption prevention. The policies and procedures referred in the document is applicable to AEPC's Board of Directors, employees, service providers (including consultants and contractors) and service users.

⁶<https://www.moic.gov.np/upload/documents/right-to-information-act.pdf>

⁷<http://www.lawcommission.gov.np/documents/2015/08/%E0%A4%B8%E0%A5%82%E0%A4%9A%E0%A4%A8%E0%A4%BE%E0%A4%95%E0%A5%8B-%E0%A4%B9%E0%A4%95-%E0%A4%B8%E0%A4%AE%E0%A5%8D%E0%A4%AC%E0%A4%A8%E0%A5%8D%E0%A4%A7%E0%A5%80-%E0%A4%A8%E0%A4%BF%E0%A4%AF%E0%A4%AE.pdf/>

⁸[https://nrb.org.np/fiu/pdf/AML-CFT_Act_2008_\(English\)_20690118.pdf](https://nrb.org.np/fiu/pdf/AML-CFT_Act_2008_(English)_20690118.pdf)

4. Organizational policy and procedure

In addition to adhering to and abiding by Government's rules, regulations and policies, AEPC has developed a number of internal documents to ensure appropriate internal controls and risk management practices across its operations, including:

- Standard Operating Procedure (SOP) 2017 (Section IV Organisational Policy and Procedures: Subsections 4.2 Transparency and Accountability, 4.3 Anti Corruption Policies and Whistle Blower Protection, 4.4 Grievance and Complaint Handling, 4.6 Financial Management, Accounting and Reporting, 4.8 Auditing Procedure 4.9 Financial Risk and Mitigation Measure, 4.10 Internal Control and Compliance)⁹
- Rural Energy Policy 2006 (Section 8 Monitoring and Evaluation Arrangement)¹⁰
- (Renewable Energy Subsidy Delivery Mechanism 2013 (Monitoring and Evaluation, Punishment and Penalty under each on the technology sections)¹¹
- Operational Manual of Compliance Unit¹²
- CREF Financial Intermediation Mechanism, Operational Manual of Central Renewable Energy Fund and various others. (Section 6 Fund Management: 6.1 Fiduciary Risk Management and Section 7 Key Risks and Assumptions: 7.1 Risks)¹³
- AEPC Employee's Facility, Service and Conditions Regulation 2009 ¹⁴describes training and capacity building modalities including international exposure visits and training programs(Chapter 5), Chapter 8 describes the punishment and appeal mechanism for staffs. Chapter 12 details out conduct for the staffs and Chapter 13 with service security.
- AEPC also has an approved code of conduct as in Annex 1 Code of Conduct for AEPC Staff Members for its staff. The code of ethics should be provided to the respective employee when signing the contract. Permanent government officials take an oath while signing up for their positions. Proper documentation is kept by the Administration Section of AEPC.

⁹[http://www.aepc.gov.np/docs/resource/resgfm/20170716151021_Standard%20Operating%20Procedures\(SOP\)%20of%20AEPC_Jan%202017.pdf](http://www.aepc.gov.np/docs/resource/resgfm/20170716151021_Standard%20Operating%20Procedures(SOP)%20of%20AEPC_Jan%202017.pdf)

¹⁰http://www.aepc.gov.np/docs/resource/rescenter/20130818051011_RE-Policy-2006_english.pdf

¹¹http://www.aepc.gov.np/docs/resource/rescenter/20140317015050_RE%20Subsidy%20Delivery%20Mechanism%202013%20in%20English.pdf

¹²http://www.aepc.gov.np/docs/resource/resgfm/20140409050320_Compliance%20Unit%20Operational%20Manual.pdf

¹³<http://www.aepc.gov.np/library/tinyMCE/uploaded/CREF%20Financial%20Intermediation%20Mechanism.pdf>

¹⁴http://www.aepc.gov.np/?option=resource&page=subresource&mid=3&sub_id=19&id=4

4.1 General Organization and Management

- AEPC's Board is the supreme body for the overall management of activities planned and implemented by AEPC. The Executive Director is vested with the authority to manage day-to-day activities on behalf of the Board and needful management within the organization is supported by other senior staffs (officer level or above) at the centre as delegated and authorized by the Executive Director.
- In the case of the programmes executed by AEPC under the Joint Financing Agreement, a Program Steering Committee shall be formed which will be the supreme body for decision making for the respective programmes. The steering committee shall constitute members from the Government of Nepal and the respective Development Partners, as required.
- In cases of fraud or mismanagement there are several avenues for reporting and follow-up. Investigations can be both internal or external (run through dedicated government agencies). Any case, whether internal or external will be reported to and followed-up by the Compliance and Ethics Sub-Committee of the AEPC Board. The reporting guidelines, roles and responsibilities are outlined in section 7 Investigation and Fraud Prevention Procedures.

4.2 Standard Operating Procedure (SOP)

- Standard Operating Procedure (SOP) guides the operations and daily functions of Alternative Energy Promotion Centre's (AEPC) programs and projects in a coherent and consistent manner for quality delivery to its stakeholders and service recipients. SOP serves as a guiding document for all AEPC staff and management for all Projects and Programs being run and to be run under AEPC.

4.3 Transparency and Accountability

- The provisions of the general code of conduct outlined in the AEPC regulation apply to all the staffs of AEPC. The AEPC Staff Regulation provides general code of conduct and rewards and punishment for staff. There is no definite section for ethics and conflict of interest. In addition to this, AEPC has prepared and enforced Code of Conduct
- In case where conflict of interest is predicted during involvement of any staff in any decisive function, the same shall be required to be disclosed via the Conflict of Interest Disclosure Form. In any case if it is proven that the staffs failed to do so, it shall be taken as the violation of the code of conduct and subject to disciplinary action.

- All the provisions stipulated by the Prevention of Act (2002) shall be applied for all the staffs associated with AEPC. AEPC has adopted zero-tolerance policy against corruption, thus all necessary preventive and punitive measures shall be adopted to curb it.
- AEPC shall ensure that the grievances from the stakeholders are appropriately received and addressed. AEPC shall use all sort of means to receive the grievances from all level of stakeholders. AEPC has provisioned a complaint box in its premises to receive stakeholders' grievances while a dedicated space has also been allocated in its website to post the grievances. The complaint and grievance handling for procurement is well addressed in PPA/PPR. For addressing the complaint and grievances related to the subsidy delivery and quality of the renewable energy technologies delivered, a committee is provisioned in Subsidy Delivery Mechanism headed by ED of AEPC. The committee is represented from the line ministry, private sector and the respective unit/components of AEPC. All other grievances received shall be compiled and the same shall be prioritized to be dealt with. For the purpose of handling the grievance, Nodal Officer shall investigate the complaint based on problem category and responsible area. The complaint handling mechanism is described in Section

4.4 Procurement

- All the procurement functions related to AEPC shall follow the procedures as directed by the Public Procurement Act, 2007 and Public Procurement Rules, 2008. In case of projects/programs implemented under the Joint Financing Agreement, a separate set of Procurement Rules may prevail depending upon the terms of procurement negotiated with the respective Development Partner.

4.5 Financial Management Accounting and Reporting

- All the financial activities performed by the AEPC are guided by the Financial Procedure Act 1999 and Financial Procedure Rules 2007 of Nepal. The Executive Director should prepare budget and programs required by office for forthcoming year and submit it to ministry of finance. Ministry of Finance provides annual budget for various projects and all the activities are conducted within constraints of the budget. Grant and loan received from donor agencies is also included in budget. Fund management of all activities of GoN is done through consolidated fund managed by FCGO. Periodic sanction is required from FCGO to utilize funds. Even after the transactions have been carried out and accounted for, it shall carry out, or cause to be carried out, internal examination of the transactions carried out and become confident of accuracy.

4.6 Procedure for disbursement

- All the invoices for expenditure made are received by the respective departments initiating the activity. The respective department head shall be required to recommend the Executive Director that the outcome of the activity is justifiable and the invoice submitted is eligible for the payment. Based on recommendation from the respective department head the Executive Director or designated staffs approve the payment request and forward it to the Finance Department.
- The finance department shall review the submission for adequacy and authenticity and request Funds and Accounts Comptroller Office (FACO) to prepare cheque for the respective activity. After receiving cheque from FACO, such cheques shall be provided to the respective submitter and acknowledgement of receipt shall be obtained. Upon proper disbursement, all the invoices shall be defaced with “PAID” stamp. In case of the projects under the Joint Financing Agreement, the procedure mentioned above shall prevail with an exception that the cheques for payment are issued directly by AEPC.

4.7 Auditing Procedures

- As required by the Financial Procedure Act 1999 and Financial Procedure Rules 2007 of Nepal, the internal audit shall be performed by the FCGO while the final audit is performed by the Office of Auditors General (OAG) in line with the Nepal Public Sector Accounting Standards, 2013 developed by the Auditing Standard Board of Nepal. The terms of audit for the internal audit function performed by the FACO is guided by the Internal Audit Procedure Directive, 2016 while the terms of external audit function performed by the OAG is guided by the Audit Act, 1999. In case of programmes implemented under the Joint Financing Agreement, a separate audit procedure could be prepared. However, for the final audit, OAG will be the ultimate auditing entity.

4.8 Due Diligence

- AEPC adheres to due diligence procedures while contracting service providers and through its recruitment procedures. Recruitment Committees and Evaluation Committees are formed to ensure a transparent approach in the selection procedures. Eligibility Checklist templates are prepared by respective components while evaluating received proposals and applications, a sample template is given in Annex 6 of this guideline. Furthermore, exclusive due diligence procedures will be implemented in case of mandatory requirements of international climate funds and various development partners.

4.9 Awareness Raising and Training

- The administration section of AEPC is dedicated to staff trainings and capacity building to ensure staff is aware of all AEPC's rules and regulations, technical aspects of major activities of AEPC, rules and regulations regarding financial management and corruption prevention. Newly appointed staffs are made familiar with an orientation session via different mediums. For Finance and Administration related training program, Government's training facility "Nepal Administrative Staff College" conducts various training programs throughout the year in which AEPC's employees can be enrolled. Furthermore, the Compliance Unit focuses on training staff once every year on different financial procedures related to budgeting, human resources, procurement, accounting policies and financial reporting. Technical capacity building activities also form part of the respective technical components of AEPC. Compliance Unit will circulate this document once a year to all staff and reaffirm management's commitment to implementation.

5. Internal Control Units and Mechanism

AEPC has a number of mechanisms in place to ensure appropriate internal controls across the organization – this includes provisions for external and internal audit as well as separate units responsible for oversight and verification.

5.1 Compliance Unit

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
- 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.

5.2 Monitoring and Quality Assurance Unit

Technological units implemented under different projects, including those funded through bilateral/multilateral agreements or through the GoN's budget are subject to monitoring and verification at the installation sites. The monitoring and verification at this level focuses on the system operation and performance, quality of the installed equipment/components, quality of the installation works, status of after sales services, fulfillment of warranty or guarantee obligations, and satisfaction of the beneficiary. The technological unit monitoring/verification is done through AEPC's Monitoring and Quality Assurance Unit (MQA).

In case of community and institutional systems, 100% of the installations are monitored while for household based technologies, an integrated monitoring is carried out for the technologies installed in a particular cluster. Standard sampling procedures are followed for individual technologies. While sampling, each installer company is represented in the sample fulfilling the requirement of minimum sample size. Moreover, sampling is done in such a way that all the geographical areas (districts) are also represented in the sample. The monitoring requirements, frequency of monitoring and sample size are as per the Subsidy Delivery Mechanism 2013 under each technology sections of the document. Standard forms such as Field Inspection Forms are developed by MQA in consultation with the respective components for each technology. These inspection forms found at the MQA unit are used for collection and monitoring.

The field monitoring is carried out by third party consultants commissioned in accordance with the Public Procurement Act and Public Procurement Rules and before mobilization, the relevant workforce of the selected consulting firms are trained by staffs of the Monitoring and Quality Assurance Unit. If deviations are reported by the third-party consultant, these cases are subject to re-verification in the presence of a representative of the concerned supplier/installer company. The results of the re-verification are final and binding. AEPC has developed an online monitoring system called Monitoring and Reporting System (MRS) with role defined authentication for the third-party consultant to enter the information during monitoring and AEPC's MQA unit for automated calculation of penalties in case of deviations.

5.3 Central Renewable Energy Fund (CREF)

The Government of Nepal (GoN) has established the CREF as the financial mechanism for the financing, promotion and up-scaling of renewable energy technologies/solutions through National Rural Renewable Energy Program at AEPC. CREF is governed by Government of Nepal approved operation manual¹⁵ and a Board (Investment Committee) has been independently set up to maintain its autonomy from AEPC.

The strategic management link between AEPC and CREF is ensured through the Executive Director (ED) of AEPC being a member of the CREF Investment Committee. At the operational level the link between AEPC, CREF and renewable energy project developers is ensured through linkage with different components which facilitates that the institutional linkages between AEPC and CREF. The arm-length principle between AEPC and CREF is maintained. CREF makes all payments and financial transactions only through electronic wire transfer and Manager's Check (MC) in order to

¹⁵[http://www.aepc.gov.np/docs/resource/resgfm/20170813151503_Central%20Renewable%20Energy%20Fund%20\(Operation\)%20Manual,%202071.pdf](http://www.aepc.gov.np/docs/resource/resgfm/20170813151503_Central%20Renewable%20Energy%20Fund%20(Operation)%20Manual,%202071.pdf)

maintain financial transparency. AEPC/CREF has selected a dedicated Class A commercial bank which is termed a Handling Bank for the administration of the subsidy fund. The main reason behind selecting a commercial bank is that the banking sector is the most transparent sector in Nepal, fully guided by the Central Bank, which follows international banking principles and carries minimal fiduciary risks. The selection of the Handling Bank follows the stringent procurement process of the Government of Nepal with feedback from international development partners. The AEPC/CREF technical experts review the documents and request the Handling Bank to make necessary payments. The Handling Bank further reviews the documents from the compliance side and make the necessary payment only if all the required documents are complete and correct. All the payments are recorded on bank's internationally recognized sophisticated software. The bank makes payments only through the electronic payment system i.e. wire transfer or MC check.

The fund operating principles from the CREF Operation manual is given below

- (a) CREF shall be an autonomous mechanism/institution with its own mandate and management structure as the chief financial mechanism in the renewable energy sector.
- (b) CREF and AEPC shall work in coordination with each other by maintaining their independence.
- (c) The subsidy shall be replaced by the loan facilities in the long run and the responsibility of management of the loan facilities shall rest with the Handling Bank and the Partner Banks.
- (d) CREF shall be operated as a semi-endowment fund, and the remaining amount of the Fund may be managed as to make investment in the secured and less risky sectors and to generate incomes there from.
- (e) The accumulated profit shall be re-invested within CREF in entirety for the expansion, and to make the strong financial management, of the Fund.
- (f) CREF shall have full independence to select Financial Intermediaries.

6. Disclosures

6.1 Proactive Disclosure

AEPC as per clause regarding "Proactive Disclosure" on the Right to Information Act 2007 (2064 BS) and Right to Information Regulations 2009 (2065 BS) publishes the proactive disclosure report every three months. The proactive disclosure report disseminates information on AEPC's duties, responsibilities and authority, organizational structure, citizen's charter, responsibilities of sections and units of AEPC, decision making process, grievance handling mechanism, major tasks

implemented by AEPC, income and expenditure of AEPC and other required disclosures. The report is published on AEPC's website¹⁶.

6.2 Financial and Property Disclosure

Abiding by the GoN rules and regulations, AEPC staffs have mandatory requirement of filling up the financial and property disclosure form and periodically revising it. Annex 3: Financial and Property Disclosure Form contains the financial and property declaration form.

6.3 Declaration of Conflict of Interest

Avoiding conflict of interest (CoI) is one of the key elements to fighting corruption in public organization like AEPC. The Board, staff and implementing partners of AEPC are made in the interests of the members for which advocates and protects the interest of the organization whenever entering into any kind of contractual agreements, financial transactions and arrangements that may benefit the executive/management team members and staffs.

However, CoI happens repeatedly and may not be essentially a corruption issue but how AEPC identifies and manages is of much importance. If CoI incidents are not properly traced out and managed, it can threaten the organizational and its partners' integrity which ultimately ends up with corruption. AEPC's personnel including Board members are strictly prohibited to use organizational confidential information to get financial and non-financial benefits. The CoI prohibits the staff and board members, staffs, implementing partners and their families' involvement in such practices. So, in relating to the CoI, it is important to use personal judgment and common sense to make the right decisions. Thus, AEPC is committed to maximize transparency in its decision-making process & documentations. The Conflict of Interest Template is attached in Annex 2.

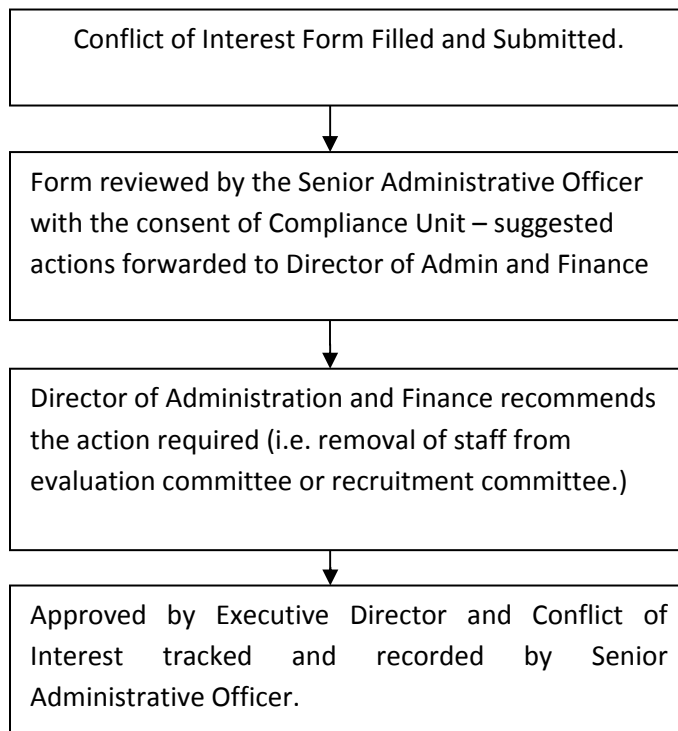
Furthermore, in terms of the AEPC Board, to stay away from the conflict of interest, the Board members perform as volunteers who will not be paid other than expenses and reasonable remuneration for their respective field of expertise, contribution as determined by the AEPC. AEPC Board is to provide support, supervise, guide, encourage to management team to achieve the organisational goal, mission and objectives. Outline necessary bylaws of the AEPC to discharge its functions effectively and propose amendment proposal to the statute as per need. Ensure accountability to the target group and community's works with as well as to donors and other stakeholders and decide the relationship with other network members & organizations.

The duties and responsibilities of the Board of the AEPC are fully separated. No member of Board would participate as regular paid staff. However, Executive Director works as a member secretary of the Board. The Board is part of governing bodies that determines the fundamentals of organization,

¹⁶<http://www.aepc.gov.np/proactive-disclosure-magh-chaitra-2074>

such as vision, mission, goal, values and strategy of the organization, whereas the management team would be responsible for translating governance policy into programs and practices. The roles of governing bodies are to provide direction, guidance and support to the staffs and implementing partners and monitor and asses the works of staffs and implementing partners. Therefore, staff members are responsible to manage day-to-day functions of the organization while the board sets policy, exercises oversight, and strategically guides the organization.

Figure 1 Managing Conflict of Interest



7. Investigation and Fraud Prevention Procedures

7.1 Types and nature of Corruption

Taking into account the GoN's Prevention of Corruption Act 2002 (2059) and the nature of AEPC's functions, the following types of corruption seem likely to incur if preventive measures are not effective:

- **Bribery:** Receiving money or goods by an official to do undue favour or provide service on official capacity.

- **Goods or service at low price or free:** Receiving goods or service at low price or free as gift from third party, i.e. who is expecting or demanding service from AEPC by a staff member.
- **Commission:** Receiving commission by an official for personal gain while buying or selling goods or service for the organization.
- **Causing damage or loss to organization and advantage to oneself:** By putting or using fake or cooked information with intention of personal gain.
- **Changing information for personal gain:** By changing information – distorting or hiding or damaging or faking – for personal gain.
- **Indulging in conflict of interest:** By indulging in business that conflict with official duty and responsibility.
- **Influencing others by pretending of authority or position:** By exerting pressure on others on pretending having authority.
- **Causing damage of official property:** By causing damage to official property having in mind to make personal gain.

Furthermore, the definition of prohibited practices as defined by **Green Climate Fund (GCF)** have also been incorporated into AEPC's prohibited practices (Annex 5 Exhibit A – General Principles on Prohibited Practices(17 February 2016, Green Climate Fund). To ensure a culture of honesty and ethics, the following rules points are adhered to:

- **Abuse of power and extortion:** AEPC's Board members, staff and implementing partners will not seek to influence any person or institution for private purpose by using AEPC's official position or offering them personal advantages. Similarly, any board members, staffs and implementing Partners will not use its property, facilities, services and financial resources for private purposes except when permission is given, will not use any forms of extortion as a method to gain advantages.
- **Fraud and embezzlement:** APEC understands that fraud has been defined as an economic crime involving dishonesty, scam or false pretenses, by which one gain advantages or funds unlawfully. Embezzlement is defined as the misappropriation of property or funds legally entrusted to someone in their formal position as an agent or guardian. Governments' rules for accounting/financial guidelines shall, therefore, be applied to at all times. Therefore, all AEPC's board members, staffs and implementing partners are expected to demonstrate their honesty and not to abuse their positions for their personal benefits.
- **Nepotism and favoritism:** To avoid favoritism and nepotism in procurement, AEPC follows Nepal Government's procurement Act/regulations. In recruitment of employees and

implementing partners, a transparent procedure is followed in order to identify the best candidate. It is important to underline that if conflict of interests are handled, it can in some cases be acceptable to hire/collaborate with family or friends.

- **Bribery:** AEPC strictly bans such bribes in any form individuals, beneficiaries, potential implementing partners or supplies to make contracts with them and do not give bribes to our network members as a way of influencing. Similarly, AEPC under no circumstances accepts bribery in order to promote the implementation of activities. We base our cooperation with network members on mutual ownership, accountability, participation, equality, harmonization, transparency and alignment.
- **Gifts:** All AEPC's board members, employees and implementing partners are expected to show good judgment and when in doubt, contact their superior. A rule of thumb is that a gift should never influence your independent judgment and that one should share the gifts with colleagues, if possible.

7.2 Complaint Mechanism

AEPC's Complaint Handling was developed to ensure that all complaints made by the public are handled in an effective and consistent manner. AEPC has established an internal committee for handling complaints and grievances led by one of the Directors. If there are complaints and grievances received for the coordinator, immediate senior official will lead the team and investigate it. The process for receiving and handling complaints is described below:

- Compliant/grievances are received through 3 major means; online¹⁷, complaint box and register maintained in reception.
- Complaints boxes and register shall be open on 1st and 16th day of every month (Next working day in case of public holiday). The internal committee opens them with relevant invitees to the meeting and a minute is prepared and duly signed by the attendees.
- Register will be maintained by Administrative Officer where the details of complaints' from all means will be registered and will be transferred to Senior Administrative Officer for further action.
- The complaints received from Ministry or GoN will be directly received and dealt by Senior Administrative Officer
- Formation of discussion panel comprising of Director (Administration and Finance), Senior Administrative Officer and respective component manager on need basis to solve the issues and to implement action to be taken.

¹⁷<http://www.aepc.gov.np/gform/gform.php>

- Take legal opinion from AEPC legal expert on need basis.
- Prepare a trimester report mentioning action and progress made within the period.
- Complaints related to financial matters are handed over to the Compliance Unit which then follows its procedure from preparing investigation plan to completing the investigation

The reported complaints are treated confidentially and with respect for the person making report and the person(s) or organizations, about which there is suspicion. Generally, in house whistle blowers are encouraged to file complaints if s/he found any unlawful action /behavior within the organization. Figure 2, provides a process flow-chart for the complaint handling mechanism.

7.2.1 Scope of complaint mechanism

Any complaints received shall be properly handled and distributed to the respective components of AEPC. It is expected that; both, end users and involved stakeholders/implementing partners will receive the benefits from the Complaint Handling Procedure. An effective Complaints System will benefit the sector in four important ways by:

- Creating a next chance to provide service and satisfaction to dissatisfied users
- Identifying areas that need improvement
- Providing opportunities to strengthen public support for the stakeholders
- Assisting in planning and allocation of resources.

7.2.2 Complaint Handling Procedures

AEPC has established various effective ways to receive complaints which include:

- ✓ By mail/email/fax
 - ✓ By web
 - ✓ By phone
 - ✓ By direct visit/application
- Acceptance of complaints received via mail /email/fax :
- The complaint can be communicated to the organization by mail, email or fax. The mail can sent to following address:

Alternative Energy Promotion Centre, Khumaltar Heights, Lalitpur, Nepal. Post Box No. : 14364

Email address: grievance@aepec.gov.np

Fax No: +977-5542397, 5539392

- Acceptance of complaints received via phone:
The complaint can register on the No.: +977-5539390, 5539391
- Acceptance of complaints received via web:
The complaint can be registered by filling “Grievance Registration Form” on AEPC web, which is accessible via: “Grievances” tab on AEPC home page (upper right corner). By visiting the link <http://www.aepc.gov.np/gform/gform.php>
- Acceptance of complaints via direct visit/application:
The complaint can be registered by in person, visiting AEPC and filling up the complaint register at the reception or submitting application to AEPC via complaint boxes.

7.2.2.1 Complaint Registration

A Complaint Register shall be maintained in the place of Complaint Handler. Each record of the received complaints shall be maintained in complaint register and shall be entered to complaint handling database system. Complaint Handler will be responsible for maintaining record and updating the complaint handling database system.

7.2.2.2 Acknowledgment, Classification and Segregation of Complaint

The complainant shall be informed upon the acknowledgement of the received complaint. If the information received from the complainant is inadequate to provide needful information, the Nodal Officer shall request for the information by using suitable means of communication. If no response is received within 15 working days, the complaint shall be classified under “No Further Action (NFA)” status. No further action will be taken to the complaint that has been tagged with NFA status. The Nodal Officer will be responsible to classify and segregate the received complaints based on:

- Problem Category: Whether the problem mentioned in the complaint is Major, Medium or Minor
- Responsible Area: Whether the problem stated in the complaints are related with management, financial issues and technical issues, or issues with implementing partners.

7.2.2.3 Review and Investigation of Complaint

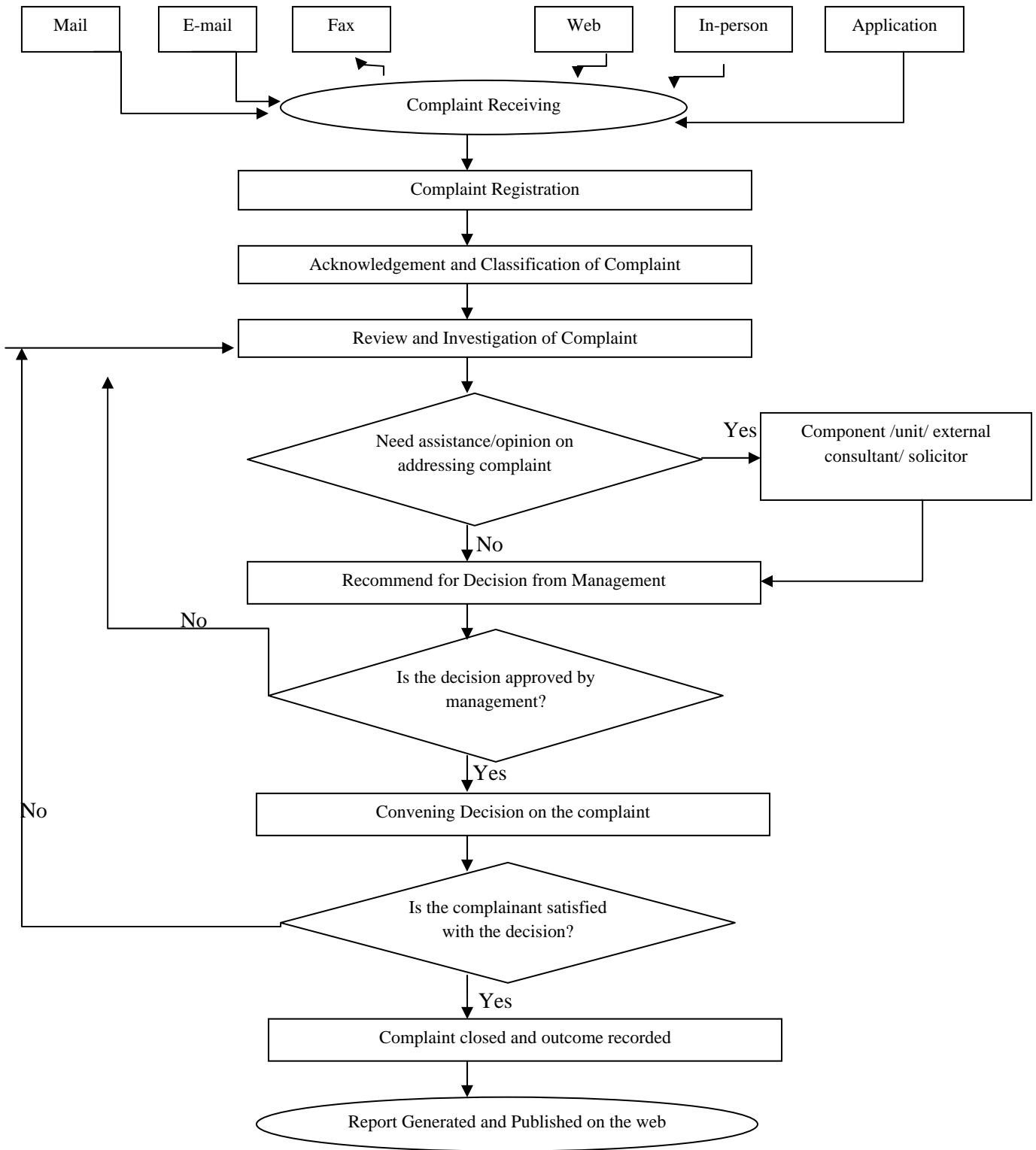
The Nodal Officer shall investigate the complaint based on problem category and responsible area, and discuss finding with management before a final decision is made and reply back to the complainant. After decision is made, the complaint shall be tagged as “closed” and shall be update in the complaint register and complaint handling database system.

In respect of complicated issues, where opinions from consultant or solicitor is required and a decision cannot be made within a defined period, the Nodal Officer shall inform the complainant on complexity of the matter as well the extended time frame required.

7.2.2.4 Basis of Decision on the Complaint

Decision on the complaint shall be based on the AEPC's guideline/policy and as per norms of GON. Decision on the complaint shall be conveyed to the complainant by available means. The response shall contain a clear and concise explanation on the basis of final decision. **The detailed report on complaints shall be generated from database system and published on AEPC website on trimester basis.**

Figure 2: Process Flow Chart-Complaint Handling Mechanism



7.3 Whistle Blower Protection

In case of Whistleblower protection AEPC adopts the provisions outlined in the Right to Information Act 2007.

Protection of Whistleblower:

- (1) It shall be a responsibility of an employee of a Public Body to provide information on any ongoing or probable corruption or irregularities or any deed taken as offence under the prevailing laws.
- (2) It shall be the duty of the information receiver to make the identity of whistleblower in accordance with Sub-Section (1) confidential.
- (3) The whistleblower shall not be terminated from his/her post or punished with any legal responsibility or caused any loss or harm for giving information pursuant to Sub-section (1)
- (4) If any punishment or harm is done to the whistleblower against Sub-Section (3), the whistleblower may complaint, along with demand for compensation, before the commission for revoking such decision.
- (5) While investigating the complaint pursuant to Sub-Section (4), the Commission may order to revoke the decision of removal from the office if so removed from office and for the compensation if any damages caused to the whistleblower.

7.4 Conducting Investigations

Chapter 3 of Prevention of Corruption Act 2002 lists out sequences of activities from planning an investigation to filling a case. AEPC being a government entity follows the provisions relating to offences stated in the Prevention of Corruption Act 2002.

A procedure to manage investigation is set out in Annex 8: Procedure for Fraud Reporting and Investigation. Additionally the investigative procedure needs to be mindful of the following principles

7.4.1 Preliminary Screening

The first stage is establishing the specific objectives of the investigation assignment. The establishment of such objectives should be based on the knowledge of the department's or personnel activity, especially:

- A preliminary understanding and
- Review of the risks and controls associated with the activities forming subject matter of the investigation.

The preliminary understanding involves gathering necessary information by means of a combination of the following procedures:

- Observation of the activity being performed
- Inquiry of the staff associated with performing the activity
- Reading through the policies and procedures

Furthermore, as the Prevention of Corruption Act 2002 entails “While conducting preliminary inquiry pursuant to Section 26 Preliminary Screening, in case the investigating authority is of the view that the information received is based on facts, it may, having provided particulars relating thereto, seek for comment or explanation from the concerned body or person as may be necessary”.

7.4.2 Preparing the Investigation

The scope of the investigation should be sufficient in coverage so as to meet the objectives of the engagement. The investigation team leader should consider the information gathered during the preliminary review stage to determine the scope of the investigative procedures. In case the investigating team is of the view that circumstances exist which would restrict them from carrying out the procedures, including any alternative procedures, considered necessary, team leader should discuss the matter with Members of the Compliance and Ethics Sub-Committee to reach a conclusion whether or not to continue the engagement. The scope of engagement should be documented comprehensively to avoid misunderstanding on the areas covered for audit. The scope of engagement should be discussed with the members of Compliance and Ethics Sub-Committee and the minutes of meeting must be included in the working papers. Investigating teams must ensure that the review is appropriately scoped to meet the objectives of the review and to confirm the review is delivered within budget.

7.4.3 Preparing the Investigation Plan

Once the scope of the investigation is established, the next phase is that of developing an investigation plan and deciding upon the resource allocation. The investigation plan should cover description of the activity, lead role and support role in the investigation, tentative timeline and output of every activity. Furthermore, the investigating team should perform pilots to assess man-hour required to finish full-scope. Based on the experience, the investigating team should prepare an action plan, detailing aspects such as:

- activities/ procedures to be performed;
- engagement team responsible for performing these activities/ procedures; and
- time allocated to each of these activities/ procedures.

7.4.5 Conducting the Investigation

Once the scoping and planning is completed the Investigating team will begin execution. This phase includes a review of control design, controls testing, and assessing the root cause of any issues identified.

7.4.6 Record Keeping

The investigating team should document matters, which are important in providing evidence that the investigation was carried out in accordance with the methodology and support the findings or the report submitted by them. In addition, the working papers also help in planning and performing the internal audit, review and supervise the work and most importantly, provide evidence of the work performed to support the findings or report(s).

What should be documented?

- a) terms and conditions of the engagement, scope of work, reporting requirements, any other special conditions, affecting the internal audit;
- b) the nature, timing and extent of the procedures performed to comply with methodology and applicable legal and regulatory requirements;
- c) the results of the procedures and the evidence obtained; and
- d) Significant matters arising during the procedure and the conclusions reached thereon.

7.4.7 Reporting and Follow-up

This section outlines requirements for format and content of the reports, periodic reports generated as well as the procedures of follow-up on the investigation findings.

A. Investigation Based Reports:

Investigation based reports shall be submitted to the Compliance Unit on the completion of the task. The unit then shall forward the report to the Compliance and Ethics Sub-Committee for review.

B. Progress Report to AEPC Board:

The Compliance and Ethics Sub-Committee shall present a progress report periodically to the AEPC Board. The report shall be initially prepared by the Compliance Unit and the send to Compliance and Ethics Sub-Committee for review which shall then finalize the report. The report shall contain summarized information on investigation issues, recommendation from the Compliance and Ethics Sub-Committee and actions adhered by AEPC.

C. Trimester Review Report:

The Compliance Unit shall prepare Trimester Review Report within one month of the completion of the trimester summarizing the status of follow up of findings of the audit report of OAG, FACO and other investigation reports. The report shall highlight issues, management response to the issues and the current status of the issue. The report shall be reviewed by the Compliance and Ethics Subcommittee and the forwarded to AEPC management for necessary action.

D. Annual Compliance Report:

The Compliance Unit shall prepare an Annual Compliance Report summarizing the findings of audit report of OAG, FACO and other investigation reports performed under the jurisdiction of the Unit. The report shall highlight issues, management response to the issues and the current status of the issue specifically whether the issue is in “Open” or “Closed” state. The report shall be based on the outcome of Compliance Review which shall be a follow-up on the findings of OAG audit, FACO internal audit and other investigations conducted by the Compliance Unit. The Compliance report shall be prepared within three months after the completion of the Fiscal Year. The report prepared by the Unit shall be reviewed by the Compliance and Ethics Sub-Committee which shall then present it to the AEPC management for necessary action.

7.5 Sanctions and Remedial Action

7.5.1 AEPC Employees

The sanctions and remedial action in case of GoN employees are detailed out on the Prevention of Corruption Act, 2002 Nepal, Chapter 2, Provisions Relating to Corruption and Punishment.

7.5.2 Other Parties

The sanction and remedial action in case of other parties in relation to AEPC’s subsidy related deviations will be as per the Rural Energy Policy 2006 and Renewable Energy Subsidy Delivery Mechanism. Additionally, AEPC will apply the Green Climate Fund’s Interim Policy on Prohibited Practices; Action to be taken by Counterparties to Combat Prohibited Practices in relation to Fund-related Activities

- A.** Ensure that Fund-related Activities are carried out in accordance with these General Principles;
- B.** Disclose and address conflicts of interest in a Fund-related Activity. If a conflict of interest or deemed conflict of interest arises, the Counterparty will promptly inform the Fund thereof and shall follow the instructions of the Fund on how to address such conflict or deemed conflict;

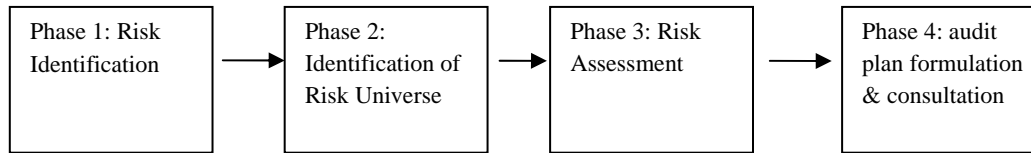
- C.** Prevent Prohibited Practices from occurring in relation to a Fund-related Activity, including adopting, implementing, and enforcing appropriate fiduciary and administrative practices and institutional arrangements to ensure that the Fund proceeds in the form of a grant, loan, contract award, or other forms of financing or support are used only for the purposes for which such financing or support was granted;
- D.** Promptly inform the Fund of allegations of Prohibited Practices found, suspected or alleged in connection with a Fund-related Activity;
- E.** Investigate allegations of Prohibited Practices and report preliminary and final findings of investigations to the Fund;
- F.** Respond to, mitigate, and remedy Prohibited Practices that are found to have occurred in a Fund-related Activity and prevent their occurrence;
- G.** Cooperate fully with the Fund in any Fund investigation into allegations of Prohibited Practices related to a Fund-related Activity, and take all appropriate measures to ensure the full cooperation of relevant persons and entities subject to such investigation, including, in each case, allowing the Fund to meet with relevant persons and to inspect all of their relevant accounts, records and other documents and have them audited by or on behalf of the Fund; and
- H.** Ensure that individuals or entities sanctioned by the Fund do not participate in Fund-related Activities in violation of their sanction.

8 Risk Management and Internal Audit Plan (Compliance Unit)

The objectives of AEPC's Annual Risk Based Internal Audit Plan are to:

- Identify the priorities of Internal Audit, consistent with the objectives of AEPC
- Identify the priorities of Internal Audit based on an assessment of risk and potential exposure that may affect AEPC's accomplish its objectives
- Set out the audit universe of AEPC and timeframe needed for the provision of the annual holistic opinion on risk management, control and governance processes.
- Share and coordinate with other internal and external providers of relevant compliance/monitoring services to ensure proper coverage and minimize duplication of efforts
- Provide measure of success to previous year's internal audit activities.

The Annual Risk Based Internal Audit Plan has four main phases, each of which is described below



8.1 Phase One: Risk Identification

Series of interviews with AEPC Senior Management and component heads conducted every year with a view to identify risk profile to which AEPC operations are exposed. The risk information provides not only important insight into the concerns of management, but also provides risk exposure data which is used, as part of Phase Three, to prioritize and rank potential audit projects.

8.2 Phase Two: Identification of risk universe

The audit universe defines the potential scope of an organization's internal audit activity by segmenting its operations into individual "audit entities" that may be subjected to audit. Using the information provided by senior management in Phase One, the audit entities shall be identified and categorized according to the function they serve within AEPC. The audit universe is designed to reflect AEPC's key functions, as opposed to its structures in order to ensure the key risks to the achievement of AEPC's objectives are addressed. As a result, the individual technical component, implementing agencies or entities that make up AEPC's structure are not directly identified as auditable entities. In recognition of the importance and materiality associated with them, Internal Audit will ensure that audit activities take place in all technical components, implementing agencies and entities over the three-year audit planning horizon. This will be done through the inclusion of a sample of technical components, implementing agencies and other entities for each audit undertaken based on the degree of risk posed and the necessity to reflect regional and technical differences. For selection of entities for inclusion in AEPC's audit universe, three main criteria shall be applied. First, the entities must be auditable, i.e., they must be definable and have discrete objectives. Second, the entities must be significant and material in the context of the organization. Third, the entities must be relevant to AEPC's broader context. To summarise, each entity must relate to, and support, the achievement of AEPC's objectives. Each entity must be classified on the risk scale of 'High', 'Medium' and 'Low'. Relevant factors that must be considered in order to classify the entities on the risk scale could be change in management/ key staff or organizational structure, quantum of procurement, unusual variation in fiscal activities, high debt-capital ratio, unusually high transactions in cash etc.

8.3 Phase Three: Risk Assessment

Consultations are conducted with AEPC senior management and component heads to rank each audit entity that makes up AEPC’s audit universe using the following three criteria, each of which is weighted to reflect its relative importance:

- *Risk Exposure of the Audit Entity*: Using the risks identified in phase one, specific risks to each audit entity are identified and an aggregate risk score is developed. This criterion shall be assigned a weight of 50%.
- *Significance of the Audit Entity*: Each audit entity is then assessed in terms of its significance which considered both overall importance of the entity to AEPC and the materiality associated with it. This criterion shall be assigned a weight of 30%.
- *Public Profile of the Audit Entity*: Finally, the entity's public profile is examined and rated. This criterion shall be assigned a weight of 20%. Taken together, these criteria shall be applied to derive a total weighted priority score which is used to generate a management assessment of the likelihood and impact of risks facing the AEPC.

A number of other risk determinants are used to identify the final risk rating and audit priority assigned to each of the entities. These comprise:

- changes to the materiality or monetary value of each audit entity;
- time elapsed since the audit entity was last audited and the results of recent audits (both internal audits and those completed by the OAG, Nepal) and monitoring activities;
- the frequency and results of evaluation reports; and
- Senior management's most recent assessment of the viability of the audit universe and each audit element's risk rating.
- Change of management and/ or key staff

While identifying and populating risks, the fundamental assumption to be applied shall be the risks will not be eliminated - rather they will be managed and mitigated to bring them down to acceptable levels as per the risk appetite of the entity. Consequently, risks shall be populated at a “Gross Level” to ensure that all the potential risks, irrespective of the existing controls and mitigating factors, are populated initially at the first level. Subsequent to above, the risks shall be assessed, ranked and populated according to the likelihood and impact of them occurring to arrive at ‘residual level’. For each risk, an impact may be assigned as either high, medium or low based on the following criteria:

High	Significant impact on mission and/or strategy and/or objectives
Medium	Moderate impact on the organization’s strategy or operational activities
Low	Low impact on the organization’s strategy or operational activities

Indicative matrixes of guiding factors which may be used to assign the impact are provided below:

Risk Categories
Financial <ul style="list-style-type: none"> • Budgeting and Cash Flow forecasting • Financial reporting
Operational (ability to manage people, processes & technology)
Reputation
Regulatory
Compliance framework
Environmental
Employees, Payroll Controls
Auditing

After assigning an impact to the gross risks and while assessing the likelihood/probability of occurrence, the existing controls and the steps already taken to mitigate such risks shall be considered to arrive at the residual or net risks.

For each risk, its likelihood of occurrence may be assigned a probability of either high, medium or low based on the following criteria:

High (probable)	Potential of occurring several times in a time horizon of 1-3 years
Medium (possible)	Possibility of occurring once in time horizon of 2-5 years
Low(remote)	Has not occurred or is unlikely to occur in 4-10 years

Final Risk Classification is therefore, at the “Residual Risk” level which takes into account the mitigating controls already in existence. Audit planning shall place emphasis on risks and entities which were found to be under controlled. These actions plans are in the nature of additional controls/actions required where the existing controls were found to be inadequate. A risk which has adequate mitigating controls in place would be assigned a low probability of occurrence and where adequate controls have not been established, the likelihood of occurrence could be medium/high depending upon the results of the walk through testing of transactions, that shall be planned to be carried out during audit execution. Based on these testing results, the risk assessment matrix developed in the first year for the audit entities’ universe shall be updated on rolling basis.

8.4 Phase Four: Formulation of Audit Plan and Consultation

Taking into consideration the audit universe and risk rankings, audit projects are defined and plotted on a three-year planning cycle to reflect the following planning decisions:

- all high and medium ranked audit entities would be audited at least once on a three-year audit cycle;
- higher risk audit entities would be audited more frequently than three years some of which may have continuous audits scheduled in intervening years;
- low risk audit entities would not be audited but would be continued to be assessed for higher risk and hence the necessity for audit;
- each year would represent a body of work that could be reasonably achieved by the current complement of audit resources;
- mandated audits would be scheduled on a priority-basis;
- the management action plans derived from the observations and recommendations made in audits would be followed-up by Internal Audit within a reasonable period of time, usually one year, to determine the degree to which the management actions plans have been implemented;
- each year an allocation would be made to take into account donor directed audit work as well as management directed audits;
- the timing of audit projects would take into account program evaluations or OAG audits so as not to place an unreasonable burden on any one audit entity / responsibility centre or risk duplication of effort; and finally

The process of risk identification and its mitigation plan is as follows

- The Compliance Unit performs an annual financial review of AEPC
- The risk assessment is performed every two years at the time of AEPC's financial review
- The audit team identifies risk and prepares details of each risk
- These risks are scored on a scale of Low, Medium and High
- The mitigation plan of action is developed
- The risk assessment and mitigation plan is presented to the AEPC for Management Response.
- The follow-up on the mitigation plan is scored on the scale of Not Credible, Partially Credible and Credible

The finance department of AEPC ensures that all sort of risks are minimized while the payments are disbursed for any activity. Table 1 outlines the general procedure from budget preparation to final disbursement along with the risk associated and prescribed actions to mitigate the risk.

Table 1 Financial Risk and Mitigation Matrix

Risk Type	State	Action to mitigate risk
Strategic Risk	Budget Preparation: High or Low Fit with organizational vision, mission, etc. Approved by GoN	Relevant to organizational vision, mission etc. Budget preparation is based on the involvement of implementing unit
Control Risk	Cost Estimation: Prepared or not Approved or not Reasonable or not	Prepared for all activity Reasonable Approve
Control Risk	Expression of Interest: Published or not Procedures of PPA/PPR followed or not	Complete follow-up of PPA/PPR
Control Risk	Request for Proposal Published or not Procedures of PPA/PPR followed or not	Complete follow-up of PPA/PPR
Control Risk	Selection Technical Evaluation Financial Evaluation As per PPA/PPR or not	Complete follow-up of PPA/PPR and proper documentation of approved documents
Control Risk	Contract: Notice of selection and contract	Proper follow-up of PPA/PPR and adequate documentation
Financial Risk Operational Risk Control Risk	Payment: Advance Payment: Job order issued or not Payment as per contract or not Final & other payment: Request for Payment Bill approved or not, proper or not Other supporting Advance adjustment	Payment based on the provision of contract after approval from the higher authority with proper supporting

	Other Deduction	
Default Risk	For Loan Disbursement	In case of funding in the form of loans with repayment conditionally it is governed by the CREF Operational Manual and decisions of investment committee. CREF provides loan in bulk to partner banks and condition of repayment and default is specified in those policy. Default risk are borne by the partner banks.
Foreign Exchange Risk	Foreign currency exchange gain and loss	All risks related to foreign exchange is borne by GoN and DPs as guided by the bilateral or multilateral agreement.

Furthermore, a risk and fraud tracking template is given in Annex 4: Fraud Tracking and Reporting Template.

Annex 1 Code of Conduct for AEPC Staff Members

AEPC is a reputed institution recognized for Renewable Energy Promotion to enhance livelihood of women and men of rural population in Nepal. The program under AEPC is supported by multi development partners and involved many stakeholders in its execution. The AEPC has its own policy, guidelines and operational procedures and it has taken GESI approach to extend its service to rural women, poor and disadvantaged groups. The organization will not acknowledge the activities of employees who achieve results through violation of law or unethical dealings.

1. The AEPC is dedicated for inclusive and gender sensitive RET service delivery, hence all staff must be accountable for inclusive and gender sensitive behavior. It promotes zero tolerance for gender base violence and sexual harassment.
2. The organization expects its employees to conduct themselves in professional and honest manner befitting a mature, respectable and honorable AEPC staff member.
3. The organization respects its employees as accountable to their services without bias of any caste, creed, religion, sex, age, disability, conscience, belief, culture, language and place/regions, etc.
4. The organization promotes working environment conducive to women staff and other social groups.
5. The organization and its employee must at all times comply with all applicable laws and regulations, employee must ensure that their action always follow the laws and regulations governing the organizations operations.
6. The organization strictly prohibits kickbacks and commissions or any other form of corruption.
7. Decisions should be taken in order to avoid unduly gain of financial or other benefits for families or friends or other associates. It should serve in the interests of community and its beneficiaries as a whole and for the organization. If an employee suspects that he/she or his/her associates will benefit from a decision he/she is to make, the employee is obliged to proactively declare himself/herself disqualified due to potential conflict of interest.
8. The organization promotes a participatory, transparent and democratic style of leadership/management directed towards the attainment of the vision, mission and goals, and away from self promotion and personal prestige.
9. The organization must ensure that information is publicly accessible to all stakeholders and social groups that their work activities are easily understood and that information on program and activities is widely disseminated.
10. The style and mode of operation of AEPC should be financially modest and focus on optimization of resources.

11. The employee should be sensitive to the local culture, tradition and religion. This implies treating everyone with respect, courtesy and consideration.
12. The employees must not presume to speak for the organization on any topic, unless they are certain that the views they express are those of the organization, and it is the organization's desire that such views be publicly disseminated.
13. The employee should be as open as possible with regard to all decisions and actions taken in the performance of its functions.
14. The right of confidentiality and secrecy among the staff must be respected.
15. Personal issues are discouraged to indulge into official matter.
16. Employees should avoid misuse of organization identification, facilities and equipment for personnel matter.

Annex 2: Conflict of Interest Template

Disclosure of Conflict of Interest

Note:

An official is required to disclose his/her conflict of interest in case his/her assessment/examination/decision taken for AEPC has chance to result in favor of himself/herself or family members or close relatives. Family members denote persons referred to Clause 2, (Tha) of AEPC Employee's Facility, Service and Conditions Regulation 2009 and close relatives refers to siblings, cousins, paternal and maternal uncle and aunt. It can be applied in staff selection and performance appraisal, bid/proposal evaluation, performance evaluation, grant/subsidy application evaluation and so on. AEPC shall decide time to time those activities which are required to be the subject for disclosure of conflict of interest.

Disclosure Template

I, (name), (position), would like to disclose that as I/my relative, (name) would be potential beneficiary on competitive basis of the (short title) assessment/examination/decision. Thus, my involvement may affect impartiality, thus, I would like to remain aside from this action.

Signature

Position/title

Annex 3: Financial and Property Disclosure Form

Note: Officials of AEPC Board and Staffs (except Office Assistants) need to submit this form within Shrawan(July) of each year. Disclosure needs to include the

- 1) Name:
- 2) Position:
- 3) **List of Property :**

i) **Land and building (list)**

Where? (Gaaunpalika, municipality)	Area	Estimated amount
Cumulative		
Added within one year		

ii) **Jewelry and Security (bond)**

Particular	Quantity	Estimated amount
Cumulative		
Gold		
Silver		
Copper		
Security (bond, share)	Company name: i) ii) iii)	

Added within last year		
Gold		
Silver		
Copper		
Security (bond, share)	Company name: i) ii) iii)	

iii) **Cash**

Particular	Amount	Bank
Cumulative		
i) Cash NRs Other currency (name)		
ii) Bank deposit Bank – Bank – Bank –		
Added within last year		
i) Cash NRs Other currency (name)		
ii) Bank deposit Bank – Bank – Bank –		

iii) **Others**

Particular	Estimated valuation (NRs)
Cumulative	
Vehicle	
Others (give detail)	
...	
Added in last year	
Vehicle	
Others (give detail)	
...	

Annex 4: Fraud Tracking and Reporting Template

(Note: This shall be filled in by respective Divisions and Sections and submitted to Compliance Unit)

Risk area	Risk description	Key control in place (Action already taken)	Follow up actions to be taken
A. Grant and subsidy			
<p><u>Example</u></p> <p>i) Selection of proposal for providing grant or subsidy</p>	<p>i) Information is not disseminated fairly and effectively to target beneficiaries.</p> <p>ii) Reasonable time is given to submit proposal.</p> <p>...</p> <p>...</p>	<p>i) Information related grant and subsidy – process, criteria etc is effectively disseminated.</p> <p>ii) Reasonable time is given for submission of proposal or request.</p> <p>...</p>	
B. Procurement			
C. Operation			

Annex 5 Exhibit A – General Principles on Prohibited Practices(17 February 2016, Green Climate Fund)

I. Introduction

1. The Green Climate Fund (“Fund”) is strongly committed to preventing and combating fraud, corruption, Money Laundering, Terrorist Financing and other Prohibited Practices (as defined below), in accordance with international standards. In that regard, it expects all individuals and entities involved in Fund related Activities (as defined below) to observe the highest standards of ethics and to take appropriate measures to prevent and combat such Prohibited Practices.

II. Scope

2. These General Principles shall apply to all:
 - a. “Fundrelated Activities”, which means any activity which is financed, administered or supported by the Fund, either with its own resources or those of others, or any activity that materially affects or may affect or otherwise be relevant to the Fund, and
 - b. “Counterparties”, which means any party that contributes to, executes, implements, bids for, benefits from, or in any way participates in, Fund related Activities, including receiving, or being a beneficiary of, a grant, loan or other form of financing or support from the Fund,

In respect of “Prohibited Practices” as defined in paragraph 4 below, including attempts to commit or suspicions thereof. For the avoidance of doubt, Fund related Activities include Funded Activities as defined in the Agreement, and Counterparties include the Accredited Entity and any Executing Entity.

III. General Requirements of all Counterparties in relation to Fund related Activities

3. The Fund requires all Counterparties to:
 - a. adhere to the highest ethical standards;
 - b. take all appropriate measures to prevent or mitigate fraud, corruption, and other Prohibited Practices; and
 - c. refrain from engaging in Prohibited Practices in connection with Fund related Activities.

4. **Prohibited Practices.** The practices defined in this paragraph are prohibited (“Prohibited Practices”)¹⁸ in relation to Fund related Activities:
- a. “Corrupt practice” means the offering, giving, receiving, or soliciting, directly or indirectly, anything of value (including but not limited to gifts, gratuities, favors, invitations, and benefits of any kind) to influence improperly the actions of another party.
 - b. “Fraudulent practice” means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit, or to avoid an obligation.
 - c. “Coercive practice” means the impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
 - d. “Collusive practice” means an arrangement between two or more parties designed to achieve an improper purpose, including to improperly influence the actions of another party.
 - e. “Obstructive practice” includes (i) deliberately destroying, falsifying, altering, or concealing evidence material to an investigation; (ii) making false statements to investigators in order to materially impede an investigation; (iii) failing to comply with requests to provide information, documents or records in connection with a Fund investigation; (iv) threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or (v) materially impeding the Fund’s contractual rights of audit or access to information.
 - f. “Abuse” means theft, misappropriation, waste or improper use of property or assets related to Fund related Activity, either committed intentionally or through reckless disregard.
 - g. A “conflict of interest” is any situation in which a party or any of its staff involved in the relevant decision making process has interests that could, or could be deemed to, improperly influence its performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations.¹⁹

¹⁸ The definitions of corruption, fraud, coercion, and collusion are harmonized definitions adopted by multilateral development banks consisting of the Africa Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank Group (IADB), and the World Bank (WB).

¹⁹ A conflict of interest may not, in all cases, in and of itself, constitute a Prohibited Practice.

- h. “Retaliation against whistleblowers or witnesses” means any detrimental act, direct or indirect, recommended, threatened or taken against a whistleblower or witness, or person associated with a whistleblower or witness, in a manner material to a complaint because of the report or cooperation with a Fund investigation by the whistleblower or witness.
 - i. “Money Laundering” has the meaning as set forth at paragraph a below.
 - j. “Terrorist Financing” has the meaning as set forth at paragraph b below.
5. Additional Terms and Definitions: For the purposes of this document, the following terms have the meanings ascribed to them below:
- a. “Money Laundering” refers to: (a) the conversion or transfer of property, knowing that such property is the proceeds of crime, for the purpose of concealing or disguising the illicit origin of the property or of helping any person who is involved in the commission of the crime to evade the legal consequences of his or her action; (b) the concealment or disguise of the true nature, source, location, disposition, movement or ownership of or rights with respect to property, knowing that such property is the proceeds of crime²⁰; or (c) the acquisition, possession or use of property knowing at the time of its receipt that it is derived from a criminal offence.
 - b. “Terrorist Financing” means the act of, directly or indirectly, providing or collecting funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out terrorist acts.²¹

IV. Action to be taken by Counterparties to Combat Prohibited Practices in relation to Fundrelated Activities.

6. All Counterparties shall take timely and appropriate measures to:
- a. ensure that Fund related Activities are carried out in accordance with these General Principles;

²⁰ Refer to Article 2 of the United Nations Convention against Transnational Organized Crime, 2000 (the Palermo Convention).

²¹ According to Article 1 of the International Convention for the Suppression of the Financing of Terrorism, a person commits the crime of financing of terrorism if that person by any means, directly or indirectly, unlawfully and wilfully, provides or collects funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out an offense within the scope of the Convention: (a) An act which constitutes an offence within the scope of and as defined in one of the treaties listed in the annex; or (b) Any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organisation to do or to abstain from doing any act.

- b. disclose and address conflicts of interest in a Fund related Activity. If a conflict of interest or deemed conflict of interest arises, the Counterparty will promptly inform the Fund thereof and shall follow the instructions of the Fund on how to address such conflict or deemed conflict;
- c. prevent Prohibited Practices from occurring in relation to a Fundrelated Activity, including adopting, implementing, and enforcing appropriate fiduciary and administrative practices and institutional arrangements to ensure that the Fund proceeds in the form of a grant, loan, contract award, or other forms of financing or support are used only for the purposes for which such financing or support was granted;
- d. promptly inform the Fund of allegations of Prohibited Practices found, suspected or alleged in connection with a Fund related Activity;
- e. investigate allegations of Prohibited Practices and report preliminary and final findings of investigations to the Fund;
- f. respond to, mitigate, and remedy Prohibited Practices that are found to have occurred in a Fund related Activity and prevent their occurrence;
- g. cooperate fully with the Fund in any Fund investigation into allegations of Prohibited Practices related to a Fund related Activity, and take all appropriate measures to ensure the full cooperation of relevant persons and entities subject to such investigation, including, in each case, allowing the Fund to meet with relevant persons and to inspect all of their relevant accounts, records and other documents and have them audited by or on behalf of the Fund; and
- h. ensure that individuals or entities sanctioned by the Fund do not participate in Fundrelated Activities in violation of their sanction.

V. Actions to be taken by the Fund in cases of Prohibited Practices in relation to Fundrelated Activities.

- 7. The Fund, through the Integrity Unit or any office of the Fund duly authorised to receive reports, investigate, and address allegations or suspicions of Prohibited Practices prior to the establishment of the Integrity Unit, shall:
 - a. inform a Counterparty of credible and material allegations or other indications of Prohibited Practices related to a Fundrelated Activity;
 - b. have the right to investigate allegations independently or in collaboration with competent authorities and/or the Counterparty;
 - c. inform the Counterparty of the outcome of any investigation;

- d. have the right to reject or disqualify a proposal for a Fund related Activity if it determines that the Counterparty has directly or indirectly engaged in any Prohibited Practices;
- e. have the right to sanction any Counterparty for engaging in Prohibited Practices in accordance with the Fund's policies, guidelines and procedures, as may be adopted and amended from time to time; sanctions may result in that Counterparty's exclusion from participating in a Fund related Activity indefinitely or for a stated period of time;
- f. without limiting the generality of the foregoing, have the right to impose one or more of the following measures on a Counterparty for engaging in Prohibited Practices in connection with a Fund related Activity:
 - i. Reprimand – the Fund may send a formal letter of reprimand of the Counterparty's behavior;
 - ii. Cancellation or suspension – the Fund may cancel or suspend a portion of Fund proceeds allocated to a Counterparty but not yet disbursed under a financing agreement or contract for goods or services;
 - iii. Debarment – the Fund may declare a Counterparty, either indefinitely or for a specified period of time, ineligible:
 - 1. To be awarded future financing from the Fund;
 - 2. To be awarded a contract financed by the Fund;
 - 3. To benefit from a contract financed by the Fund, financially or otherwise, for example as a subcontractor; and
 - 4. To otherwise participate in Fund related Activity, in whole or in part;
 - iv. Conditional Non Debarment – the Fund may require the Counterparty to comply, within specified time periods, with certain remedial, preventative or other measures as a condition to avoid debarment. In the event the Counterparty fails to demonstrate its compliance with the prescribed conditions within the time periods established, a debarment may automatically become effective for a period of time;
 - v. Restitution of funds – the Fund may require restitution of improperly used or diverted Fund proceeds; and
- g. have the right to (i) share information on sanctions imposed pursuant to subparagraphs e and f with other international organizations, multilateral institutions and competent authorities, and (ii) recognize sanctions determined by other international organizations, multilateral institutions and competent authorities, if appropriate.

Annex 6: Eligibility Checklist Template

Alternative Energy Promotion Centre

Component

“Name of the activity”

Eligibility Examination*

S N	Particular	Proponent 1	Proponent 2	Proponent 3	Proponent 4
1	Name of Proponents				
2	Address of Proponents				
3	A Copy of Company/Consultancy Firm Registration Certificate with updated renewed, Non Profitable Institution, NGO (Non Government Organization) and INGO are not eligible for submission of Proposal	Yes/No	Yes/No	Yes/No	Yes/No
4	A Copy of VAT Registration Certificate	Yes/No	Yes/No	Yes/No	Yes/No
5	A Copy of Tax Clearance Certificate of FY 2073/74 or 2072/73 BS withtime extension letter for Income tax submission from concerned tax office	Yes/No with remarks on time extensions	Yes/No with remarks on time extensions	Yes/No with remarks on time extensions	Yes/No with remarks on time extensions
6	JV Agreement (in case of JV Submission) (JV with Non Profitable Institution, NGO/INGO are not Eligible)	Yes/N/A	Yes/N/A	Yes/N/A	Yes/N/A
7	Power of Attorney (Authority to prepare and Signature on the proposal)	Yes/No	Yes/No	Yes/No	Yes/No
8	Self Declaration (Regarding not blacklisted, not ineligible to participate in the contract and has no punished in the business offence)	Yes/No	Yes/No	Yes/No	Yes/No
9	Self Declaration (Regarding not involved in money laundering and	Yes/No	Yes/No	Yes/No	Yes/No

S N	Particular	Proponent 1	Proponent 2	Proponent 3	Proponent 4
	terrorist financing)				
10	Separate Sealed Technical Proposal	Yes/No	Yes/No	Yes/No	Yes/No
11	Separate Sealed Financial Proposal	Yes/No	Yes/No	Yes/No	Yes/No
12	Signed CV of proposed Human Resource and copy of other required supported documents and Proof of Experience from previous employer	Yes/No	Yes/No	Yes/No	Yes/No
Remarks		Eligible/ Not-eligible	Eligible/ Not-eligible	Eligible/ Not-eligible	Eligible/ Not-eligible

Concluding Remarks: ""

Member of Evaluation Committee (Name and Signature)

**Note: The above template assumes that four proposals were received, same template applies for any number of proposal received for the respective activities*

Annex 7: Right-to-Audit Clause²²

Audit Clause:

Audit provision for:
Contract Name:
Date of Contract:
Value of the Contract:
Related Component:

Compliance and Ethics Sub-Committee (Co&ESC) shall have the right to audit and inspect all books and records (in whatever form they may be kept, whether written, electronic or other) relating or pertaining to contracts or agreements under Alternative Energy Promotion Centre(AEPC), or in which AEPC financing is involved for, for delivery of goods or services, payments of subsidies or granting of loans (including any and all document and other materials, in whatever form they may be kept which support or underlie those books and records), including but not limited to those kept by the Contractor and/or Recipient of loan or subsidy, its employees, agents, assigns, successors and sub-contractors.

The Contractor and/or Recipient of loan or subsidy shall maintain such books and records, together with such supporting or underlying documents and materials, for the duration of a contract or agreement and at least to the end of the following Government of Nepal Fiscal Year from the approved date of the completion of the assignment as per contract or agreement with AEPC.

The books and records , together with the supporting or underlying documents and materials shall be made available, upon request, to Alternative Energy Promotion Development Board's Compliance and Ethics Sub-Committee, through its employees, agents, representatives, contractors or other designees, during normal business hours at the Contractor and/or Recipient of loan or subsidy's office or place of business. In the event that no such location is available then the books and records, together with the supporting or underlying documents and records shall be made available for audit at a time and location in Nepal, which is convenient for the Co&ESC.

I have read and understood these audit provisions:

Signature:.....

Name:

Position:

Date:.....

²² This clause is made an integral part of contracts or agreements under AEPC or in which AEPC financing is involved for, for delivery of goods or services, payments of subsidies or granting of loans.

Annex 8: Procedure for Fraud Reporting and Investigation

Procedure for Fraud Reporting and Investigation

I. Introduction:

1. This document sets out the “Procedure for Fraud Reporting and Investigation” by Compliance and Ethics Sub-Committee and its Compliance Unit and the Internal Committee formed for handling Complaint and Grievances formed by AEPC collectively known as Investigative Components (ICs). This document provides processes for the prevention and reporting of suspected fraud within AEPC and the activities carried out using funds provided by AEPC from National and International sources.
 - a. Apply to all investigation conducted by the Compliance and Ethics Sub-Committee and its wing Compliance Unit and also apply to the investigation conducted by the Internal Committee for Handling Complaint and Grievances which are referred as Investigative Components (ICs) in the document from here on.

II. Purpose and Nature of Investigation:

2. The purpose of an investigation is to examine and determine the veracity of allegations or suspicions of prohibited conduct affecting AEPC’s activities or alleged misconduct involving members of governing bodies or staff to report its findings and make appropriate recommendations.

III. Receipt and Registration of an Allegation :

3. The Investigative Components (ICs) accept reports of suspected prohibited conduct including but not limited to corruption, fraud, collusion, coercion, obstruction, money laundering and financing of terrorism from any source within or outside AEPC, including complaints from anonymous or confidential sources. The ICs may also open cases voluntarily, for example from the reports of OAG, FACO, Donors and also press reports of prohibited conduct
4. If the complainant is anonymous and or insist on anonymity, the ICs should request that he/she contacts ICs again at an agreed date/time in the future to respond to possible further questions based on the results of the initial review.
5. The coordinator or experts of the ICs shall promptly record the information in the respective complaint register. The information should include the following:
 - a. The date of receipt of information
 - b. A brief summary of the allegation including the type of misconduct/prohibited practice and alleged party/parties. Including the description and location of the project or operation.
 - c. The identity of the complainant, if disclosed.
 - d. Any other information that ICs considers significant
 - e. Assign a name and case number to the issue, for tracking
 - f. Prepare and assign the investigation. If required assign more than one investigator and prepare terms of reference for both internal and external investigators.

6. In the cases where the Internal Committee for Handling Complaint and Grievances hands over the complaints to the Compliance and Ethics Sub-committee especially complaints related to financial matters, Compliance Unit shall record the information promptly and circulate it to the all the members of the sub-committee including the coordinator.
7. The coordinator or experts of the ICs shall make the information regarding the allegation and its evaluation upon request to appropriate parties including Chairperson, Vice-chairperson and other members of the AEPC Board and the concerned stakeholder.
8. Annual report on the allegation and evaluation shall be published. The Internal Committee for Handling Complaints and Grievance shall prepare the report which shall include the brief summary of allegation, the current status of evaluations (namely “Open” or “Closed”), brief findings of the investigation and measures taken.

IV. Conducting the Investigation:

A. General Principle

9. To the extent feasible, the ICs should contact the complainant to acknowledge receipt of the complaint and to obtain as much information concerning the allegation as possible. The information should include but not limited to:
 - a. A complete description of the alleged prohibited practice
 - b. The alleged connection to AEPC’s financing or other activities and an estimate of the funds at risk
 - c. The names and locations of the persons or entities involved or who may have further information regarding the allegation.
 - d. The date of the events in question
 - e. The location and description of any relevant documents, data or records
 - f. The basis of the complainants’ knowledge or motive.
 - g. Any concerns regarding retaliation and personal security.
10. Post registration of the case, the ICs shall promptly seek to confirm that the alleged prohibited practice involves projects financed or projects with technical support provided by AEPC or members of governing bodies or staff.
11. The ICs will conduct an initial desk review to determine if the alleged prohibited practice represents sufficient material risk to AEPC to justify an investigation. Operational, financial and reputational risks to AEPC are the factors to be considered while determining the material risk associated with the allegation. The desk review will also determine the feasibility of the investigation, definiteness of the information received, availability of records and witnesses and initial action plan to conduct the investigation with necessary requirements along with required resources to conduct the investigation.

12. The ICs will also seek to evaluate the reliability of the complaint. This will include the following but not limited to:

- a. AEPC project, financing or other documents, files and data
- b. Prior complaints involving the alleged parties received by ICs or CIAA or NVC
- c. Background checks including media reports/database and any other relevant documents

B. Sources of Information

13. The sources will include the following but not limited to:

- a. Documents related to allegations kept by the alleged parties,
- b. Related Policies, regulations and guidelines such as Financial Procedures Act, Public Procurement Act and Regulation and other relevant documents
- c. Information through on-site inspections of any works, constructions or services including photographs and interviews of witness/subject/stakeholders.
- d. Documents/Electronic data
- e. Video, audio and photographic data
- f. Observations of investigators
- g. Oral or written statements of witness/subject/stakeholders of the investigation

14. The ICs will not pay the witness for information, but it may reimburse reasonable expenses incurred by the witness for his/her cooperation with the ICs.

15. The ICs may seek the advice or assistance of other sections and sub-sections inside AEPC and/or may engage external consultants and sector specialist/experts to assist in an investigation.

C. Document Management/Handling

16. The documents that may be required as evidence, the ICs shall

- a. Seek to identify and use the original document or if unavailable seek reliable copies of the original.
- b. Preserve to the practical extent, all documents in the condition they were received.
- c. Maintain a register that identifies when, where, by whom and for whom the document was received. Along with pending documents yet to be received.

D. Personal and Electronic Data

17. The electronic data shall be obtained from the most reliable source available i.e. the location/facility/section/subsection/unit that maintains the most complete, accurate and current data. The electronic data obtained will be also maintained in the register as described in previous section.

18. The ICs may access and copy relevant electronic data including email communication and personal data in accordance with the applicable laws, rules, regulations, policies and procedures. The Director overseeing the Administration and Human Resource of AEPC shall provide a written approval for the access of such information. The ICs shall inform the Director overseeing the Administration and Human Resources of the reason for the requirement of the access. However, extreme care is required to protect the identity of sources and persons concerned.

E. Enquiry Procedures

19. The enquiry conducted by the ICs shall include the following:

- a. The enquiry shall be conducted in the language in which the witness and investigator are comfortable or otherwise assistance of an interpreter.
- b. Prior to the enquiry, the interviewee shall be informed about his/her right to be assisted by a person of his/her choice and that the record of interview may be used in administrative, disciplinary or other proceedings.
- c. The ICs shall promptly prepare a written record of the enquiry.
- d. Interviews may be recorded electronically, with the knowledge and consent of the witness.
- e. The IC may provide a copy of record of enquiry for the witness to review and sign especially in cases where the testimony of witness is likely to be critical.
- f. Staff members or governing bodies suspected of misconduct shall be given opportunity to read and sign the record of their enquiry.

V. Impeding an Investigation:

20. If the investigative findings indicates that a member of staff or of the governing body made false statement to ICs during the course of investigation and/or failed to cooperate in an investigation and/or attempted to impede the investigation; the ICs shall refer the matter to the Executive Director and/or AEPC Board.

VI. Concluding Investigation and Findings

21. The findings of an investigation shall be based on to the extent feasible:

- a. The most reliable factual information available and conclusion drawn from established facts
- b. Documents, data (including electronic), inspection, analysis and verification results authenticated by the providers of such information
- c. Statements from witnesses
- d. Information verified/authenticated via other available sources

22. The ICs investigative findings may include but not limited to:

- a. Opinion on the observed/perceived credibility and behavior of witness and subject of the investigation
- b. Recommendation to AEPC Board and/or management for appropriate action to address the issue of investigation
- c. Recommendation to AEPC Board and/or management on broader policy issues identified during the investigation

23. In cases the ICs have recommended a requirement of follow-up action post substantiation of allegation, the findings shall be properly documented and referred to relevant authorities. For

example: AEPC management shall prepare an action plan for future follow-up and share with ICs and in case of completion of follow-up, report to the ICs for review.

24. In cases of insubstantial allegation, the findings shall be documented and assign a “closed” status.
25. The coordinator of the ICs may re-open a case that has been closed if credible new information emerges or demanded by certain circumstances.

VII. Other Matters:

26. **Reporting:** The ICs shall prepare a trimester based report. The Internal Committee handling complaints and grievances shall also submit the status report Executive Director of AEPC while the Compliance Unit shall submit the status report to the Compliance and Ethics Sub-Committee, which shall review and compile the information and present it to AEPC Board.
27. **Document Retention:** All documentation and information for all cases shall be kept in a secure and confidential manner by ICs and shall be retained for at least five years from the date of the closure of the case.
28. **Allegation on ICs members/staffs:** Allegation of prohibited practices on the part of ICs shall be reported to AEPC Board. The board shall then either choose to form an external investigative committee or hand over the matter to CIAA.
29. **Updating the Procedure for Fraud Reporting and Investigation:** These procedures shall be amended and updated as appropriate in the following but not limited to:
 - a. Amendment in/emergence of the relevant Acts, Policies, Regulations, Procedures and Guidelines.
 - b. Changes in internal guiding document such as AEPC’s Financial Discipline and Good Governance Regulation 2018 and other relevant documents
 - c. Experience gained in implementing the procedures
 - d. Global best practices.

VIII. Notification to and involvement of CIAA , NVC and Donors:

30. With regard to the investigation, if the coordinator/member of the ICs has ground to suspect that there is Prohibited Conduct in AEPC financed project or activity, if deemed appropriate he/she shall notify the Commission for Investigation of Abuse of Authority (CIAA) and/or National Vigilance Centre (NVC) and provide with necessary information. In case of exclusive donor funded projects, the respective donor shall be notified. ICs will continue its investigation pending the decision of CIAA or NVC to open an investigation. If CIAA or NVC decides to open an investigation, the ICs will closely cooperate with investigators appointed by CIAA or NVC. If CIAA or NVC decides, for any reason, not to open an investigation, the ICs can decide to continue the investigation.