

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

2nd Compliance Report

25th September 2019

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1 Introduction

AEPC has established 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 is to be done by a five member 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 are joint secretary from the legal department and under-secretary from the finance section of the line ministry, independent legal expert and independent finance expert. AEPC supports 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 overall purpose of the Compliance Unit is to provide oversight of financial activities, quality assurance of implemented activities and capacity building in public financial management of AEPC. The compliance unit on an annual basis prepares an Annual Compliance Report. The main purpose of the compliance report is to assess the progress made by AEPC on pending issues and indicate additional issues identified by the preliminary OAG findings and by other audit and non-audit reviews. This is the second compliance report post institutionalization of the compliance unit. Previous compliance reports prepared by the compliance unit are as follows:

- 1st Compliance Report – July 2018.
- 1st Trimester Compliance Review Report- August 2018
- 2nd Trimester Compliance Review Report- April 2019

The 2nd Compliance report presents the findings of the preliminary OAG audit for the fiscal year 2074/75 and 2nd trimester compliance review report dated April 2019 and other findings of the Compliance Unit (CU).

2 Financial Summary for the Fiscal Year 2074/75

2.1 Status of Financial Transaction for the Fiscal Year 2074/75¹

Position	Name	Tenure	Arrears Amount
Head of Office	Executive Director Mr. Ram Prasad Dhital	From 2074/4/1 to 2075/3/31	91,686,543/-
Head of Accounts	Accounts Under Secretary Mr. Pusha Guragain	From 2074/4/1 to 2074/5/1	
	Senior Accounts Officer Mr. Chandra Kishor Prasad Chaudhary	From 2074/5/2 to 2074/6/1	
	Accounts Under Secretary Mr. Yubaraj Acharya	From 2074/6/2 to 2075/3/31	

Appropriation

Budget Heading	Annual Budget	Final Budget	Disbursement and Expenditure	Advance
3311086	1,329,040,984/-	1,329,040,984/-	1,280,238,263.94	0/-
3311103	3,384,141,000/-	3,384,141,000/-	2,026,562,987/-	50,010,337/-
Total Current	4,713,181,984/-	4,713,181,984/-	3,306,801,250.94	0/-
3311084	19,642,000/-	19,642,000/-	18,622,300/-	0/-
Total Capital	19,642,000/-	19,642,000/-	18,622,300/-	0/-
Grand Total	4,732,823,984/-	4,732,823,984/-	3,325,423,550.94	50,010,337/-

Revenue

Heading No.	Collection	Filing	Remaining
14212	637,400/-	637,400/-	0
14227	1,104,000/-	1,104,000/-	0
14312	157,000/-	157,000/-	0
15112	29,728,516.81	29,728,516.81	0
Total	31,626,916.81	31,626,916.81	0

Security Deposit

Previous year Liability	Current Year Deposit	Total	Refund	Sanctioned (Sadarsyaha)	Total	Remaining
92,010,029.16	105,329,750.16	197,339,779.32/-	28,751,140/-	1,063,123/-	29,814,263/-	167,525,516.32

Operational Fund

Name	Previous year	Current Year Collection	Total	Expenditure	Remaining
Clean Development Mechanism Carbon Fund	6,675,332,692.43	376,563,991.40	1,044,096,683.83	1,742,529.05	1,042,354,154.78
Additional Subsidy Micro	177,606,913.67	55,867,001.82	233,473,915.49	82,798,477/-	150,675,438.49

¹ Source: OAG Preliminary Report 2074/75

Hydro Projecta					
Total	845,139,606.10	432,430,993.22	1,277,570,599.32	84,541,006.05	1,193,029,593.27

Others

Description	Previous year	Current Year Collection	Total	Expenditure	Remaining
National Rural Renewable Energy Program (NRREP)	96,315,413,711/-	14,999,205.20	978,153,342.31	667,532,932.43	310,620,409.88
Central Renewable energy Fund (CREF)	2,285,541,934.33	6,026,467,525.12	8,312,009,509.49	3,257,216,190.89	5,054,793,318.60
Total	3,248,696,071.48	6,041,466,780.32	9,290,162,851.80	3,924,749,123.32	5,365,413,728.48

3 Findings of 56th OAG Annual Report, 2075

The final findings of the 56th OAG Annual report, 2075 is given below:

3.1 Budget and Expenditure

The total budget of AEPC for the fiscal year 2074/75 was NPR. 4,732,800,000/-. Total expenditure during the year was amounted to NPR. 3,225,400,000/- (70.26%). Central Renewable Energy Fund has disbursed subsidy amounting to NPR. 1,132,600,000/- for 139,987 renewable technologies.

3.2 Legal Status

AEPC is institutionalized under the Development Committee Act 2013. An institution set up as the focal point in renewable energy technologies and mobilizing extensive support receive from development partners should be made sustainable with robust legal foundation. AEPC has informed that it is in the process on receiving suggestions and advices from various stakeholder institutions vis-a-vis a robust legal foundation.

3.3 Status of Progress

Total 18% of total populations have electricity access from projects implemented by AEPC during different financial years in micro and small hydro and solar power. More than 3.5 million households have benefited from the use of different renewable energy technologies. In the context of the approved budget for the fiscal year, 94% progress has been made under AEPC heading and 57% progress made under National Rural Renewable Energy Program heading.

As per documents provided by AEPC, the projects status is:

Programme	Target	Progress
Domestic Biogas Plant	24,000	15,628
Large Biogas Plant	50	23
Improved Water Mill	300	203
Institutional Solar Electricity System	250	4
Solar Drinking Water and Irrigation Pump	100	51

Careful consideration is required to achieve targets of the approved programs.

3.4 Support from International Development Partners

The support received from various international development partners has not seen satisfactory utilization. Under international support, on the allocated NPR. 1,664,731,000/- expenditure amounting to NPR. 308,771,000/- (18.55%) has been made during the fiscal year. Repatriation of NPR. 1,977,785,000/- has been made to the Norway and Denmark government for the National Rural and Renewable Energy Program (2012-2017).

3.5 Subsidy

Clause 33 of the Financial Procedure Regulation, 2064 requires that the budget sub-heading which is not to be froze needs to be authorized by Financial Comptroller General Office . Besides the approved amount, funds under other budget headings hence are frozen. Under the grant amount received by AEPC to finalize 33 old micro hydro projects, post first and second installment amounting to NPR. 82,700,000/- the remaining amount of NPR. 52,500,000 that should have been frozen has been transferred to AEPC's bank account.

3.6 Carbon Fund

Since 2007, the government of Nepal via the trading of carbon emission reduction has received NPR.667,533,000/- up until the previous fiscal year and NPR. 376,564,000/- received in the current fiscal year. Out of the total amount, expenditure on consulting services amounts to NPR. 1,742,000 and NPR. 142,354,000 is the remaining carbon fund balance. The mobilization guideline for the fund needs to be formulated.

3.7 Monitoring and Penalty

Renewable Energy subsidy Delivery Mechanism 2070, states that monitoring of 10% solar home system installed by various installation company is to be conducted via independent third party monitors. There is provision of penalty of 5%, 50%, 100% & 200% as well as removal of registration on severe condition. The penalty to be levied on the monitoring conducted on 3079 technologies divided into seven clusters for the fiscal 2072/73 has not been calculated yet. The penalty amount needs to be calculated and settled.

3.8 CREF Fund Management

As per the CREF Operation Manual, the semi-endowment fund concept that the GoN has approved (as per clause 4/d) has clearly mentioned that the Fund shall be operated as 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 therefrom.

The fund until the previous year was managed giving 4% interest by the handling bank. In the current year the fund is managed by another bank selected through a competitive process where the handling bank will provide services pro bono with 8.5% interest receivable. For liquidity management, additional fund has been appropriated in term deposit schemes among 12 class A commercial banks at 12% interest. Until the end of Asadh, 2075, the total fund balance amounts to NPR. 5,054,800,000/- with NPR. 3,055,200,000/- at the handling bank and NPR. 1,999,600,000/- at the other 12 banks. As per the CREF operational manual, investment should be made in secured and less risky sectors to generate incomes therefrom.

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

4.1 Preliminary Report 2074/75 (2017/18)

S.No ² .	Issues/Findings	Status as on 4 th April, 2019 OAG Preliminary Report	Management Response as on 3 rd May, 2019	Status as on 25 th September, 2019
1	Legal Status: AEPC is institutionalized under the Development Committee Act 2013. An institution set up as the focal point in renewable energy technologies and mobilizing extensive support receive from development partners should be made sustainable with robust legal foundation. AEPC has informed that it is in the process on receiving suggestions and advices from various stakeholder institutions.	Open	The draft of the Act related to renewable energy has been completed and has been circulated among concerned stakeholder ministries. AEPC's line ministry, Ministry of Energy, Water Resources and Irrigation has prioritized the agenda as part of its action plan to be submitted in the upcoming session of the federal parliament.	Closed based on the management response.

² The S.No refers to the exact serial number as in the OAG's preliminary report

2	<p>Status of overall progress: As per AEPC programmes implemented in different fiscal years through renewable energy especially via solar and micro hydro projects, total 18% of the population has access to electricity and 3.6 million of the total of the total population have benefitted from utilizing renewable energy technologies. The progress status provided by AEPC is as follows:</p>	Open	<p>AEPC through maximum utilization of available human resource always aims to achieve its targets. However, due to various technical constraints and circumstances, achieving reasonable progress has been difficult at times. Though in comparison to previous years, AEPC has been achieving more and aims to improve further in the future, hence requests to exonerate from this principle arrear.</p>	Closed based on the management response																																				
<table border="1"> <thead> <tr> <th data-bbox="300 775 815 807">Program</th> <th data-bbox="815 775 1005 807">Unit</th> <th data-bbox="1005 775 1317 807">Progress until 2074/75</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 807 815 839">Biogas Plant installation</td> <td data-bbox="815 807 1005 839">Number</td> <td data-bbox="1005 807 1317 839">416,060</td> </tr> <tr> <td data-bbox="300 839 815 871">Large Biogas Plant installation</td> <td data-bbox="815 839 1005 871">Number</td> <td data-bbox="1005 839 1317 871">189</td> </tr> <tr> <td data-bbox="300 871 815 903">Mini and Micro Hydro electricity generation</td> <td data-bbox="815 871 1005 903">Kilowatt</td> <td data-bbox="1005 871 1317 903">30,706</td> </tr> <tr> <td data-bbox="300 903 815 935">Solar Home Systems</td> <td data-bbox="815 903 1005 935">Number</td> <td data-bbox="1005 903 1317 935">850,646</td> </tr> <tr> <td data-bbox="300 935 815 967">Improved Cook-stoves installation</td> <td data-bbox="815 935 1005 967">Number</td> <td data-bbox="1005 935 1317 967">1,423,242</td> </tr> <tr> <td data-bbox="300 967 815 999">Improved Water Mill Installation</td> <td data-bbox="815 967 1005 999">Number</td> <td data-bbox="1005 967 1317 999">10,857</td> </tr> <tr> <td data-bbox="300 999 815 1031">Improved Metallic Cook-Stoves Installation</td> <td data-bbox="815 999 1005 1031">Number</td> <td data-bbox="1005 999 1317 1031">55,892</td> </tr> <tr> <td data-bbox="300 1031 815 1062">Institutional Solar System</td> <td data-bbox="815 1031 1005 1062">Number</td> <td data-bbox="1005 1031 1317 1062">1,752</td> </tr> <tr> <td data-bbox="300 1062 815 1094">Solar Wind Hybrid Mini-grid System</td> <td data-bbox="815 1062 1005 1094">Kilowatt</td> <td data-bbox="1005 1062 1317 1094">413</td> </tr> <tr> <td data-bbox="300 1094 815 1126">Urban Solar Home System</td> <td data-bbox="815 1094 1005 1126">Number</td> <td data-bbox="1005 1094 1317 1126">21,144</td> </tr> <tr> <td data-bbox="300 1126 815 1158">Solar Drinking Water and Irrigation System</td> <td data-bbox="815 1126 1005 1158">Number</td> <td data-bbox="1005 1126 1317 1158">486</td> </tr> </tbody> </table>					Program	Unit	Progress until 2074/75	Biogas Plant installation	Number	416,060	Large Biogas Plant installation	Number	189	Mini and Micro Hydro electricity generation	Kilowatt	30,706	Solar Home Systems	Number	850,646	Improved Cook-stoves installation	Number	1,423,242	Improved Water Mill Installation	Number	10,857	Improved Metallic Cook-Stoves Installation	Number	55,892	Institutional Solar System	Number	1,752	Solar Wind Hybrid Mini-grid System	Kilowatt	413	Urban Solar Home System	Number	21,144	Solar Drinking Water and Irrigation System	Number	486
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3	<p>Rule 26 of Financial Procedures Regulation, 2064 states upon receipt of the quarterly progress report, the pertinent superior office shall appraise the physical and financial</p>	Open	<p>Due to the non-completion of the spending procedures and guidelines on programs in collaboration with donor countries and institutions, the implementation of the</p>	Closed based on the management response																																				

<p>aspects of the trimester progress report to assess whether the progress has been achieved or not as per the budget and program, ensure smooth operation by eliminating roadblocks, supervise and direct and take punitive actions on responsible personnel. As per the approved budget of AEPC under the budget head “3311083 Alternative Energy Promotion Centre” progress amounts to 83.56% in capital expenditures and 85% in current expenditures. While under the budget head “3311103 National Rural Renewable Energy Program” progress amounts to only 56.58%. Under this program the following activities has registered progress below 75% with 7 programs/activities have not been initiated at all, 6 programs/activities have registered progress below 25%, 8 programs/activities have registered progress below 50%, 15 programs/activities have registered progress below 75%. Non-completion of approved budget and program restricts the benefits for the targeted communities and program. Hence AEPC needs to focus its attention on achieving 100% of the stated targets. Table given below:</p>		<p>approved budget and programs witnessed nominal progress. In case of other annual programs, lack of skilled human resources, lack of coordination, budget received prior to the formulation of the necessary guidelines, access affected by harsh geographical conditions, closures and strikes are the main reasons behind the centre not achieving its targets even though the centre had been fully committed towards achieving its goals.</p> <p>In the coming days, the centre will analyze the predominant difficulties and issues, prioritize programs and activities that are firm and tangible. The centre is committed towards achieving its annual targets and in this context request for exoneration from this principle arrear.</p>	
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No.	Program/Activity name	Annual Target	Annual Progress	%
	Alternative Energy Promotion Centre			
1.	Construction of AEPC office building	1	0	0
2.	Installation of urban biogas plant	100	0	0
3	Feasibility study of large biogas plant	90	62	68.88
4	Solar Energy System Performance database real time monitoring	1	0	0
5	Feasibility study of Micro and Small hydro projects	40	21	52.5
6	Additional subsidy for incomplete previous hydropower projects	40	25	62.2
7	Light for education program “Solar home system to students of grade 9 and 10 belonging to poor, dalit, marginalized communities and families”	20,000	12,600	63
8	Household biogas plant installation for targeted categories such as dalit, under-extinction, indigenous and tribal communities	7700	1630	21.16
9	Solar installation at snake bite treatment centers	10	4	40
10	Productive energy use at businesses and industries operated by target groups belonging to Dalit, under-extinction/endangered, indigenous and tribal communities	21	0	0
11	Installation of institutional improved cook-stoves at religious centers, tourist attractions, community school, health post and public institutions	500	286	57.2
12	Under “Renewable Energy for Health” program, installation of solar energy technologies at health post, sub-health post, birthing center, government and community hospitals	160	91	56.80
	National Rural Renewable Energy Program			
13	Electricity generation from micro and small hydropower projects	2200	1249	56.77
14.	Installation of improved water mill	300	203	67.66
15.	Installation of solar drinking water and irrigation pump	100	51	51
16.	Installation of institutional solar technologies	250	4	1.6
17	Installation of household biogas plant	24000	15628	65
18	Installation of institutional and community biogas plant	50	23	46
19	Promotion of productive energy use	200	72	36
20	Loan mobilization on renewable energy technologies from Central Renewable Energy Fund (CREF)	28	7	25
21	Capacity development activities of CREF	28	4	14.28
22	Learning, training and capacity development on community electrification	18.52	3	16.19

23	Learning, training, capacity development and quality control on solar energy	18.52	0	0
24	Learning, training, capacity development and quality control on bio energy	18.52	0	0
25	Learning, training, capacity development and quality control on biogas	18.52	12	64.79
26	Activities related to gender and social inclusion	18.52	5	26.99
27	Activities on carbon and climate change	18.52	2	12.14
28	Activities on productive energy use and reconstruction of earthquake affected projects	18.52	6	32.39
29	South Asia Sub-Regional Economic Cooperation's Electricity Extension Project	12	7	58.33
30	Management and Evaluation expenditure on National Rural Renewable Energy Programme	18.52	11	59.39
31	Reconstruction of micro and small hydropower plants affected/damaged by earthquake	2000	259	12.95
32	Reconstruction of biogas plants affected/damaged by earthquake and construction of fiber glass based community biogas plants at the re-settlement camps	5000	2190	43.80
33	Installation of solar mini grid	200	90	45
34	Installation of urban and commercial biogas plants	142	78	54.92
35	Capacity development of stakeholder institutions, formulation of policies and plans related to renewable energy, implementation and monitoring of programs through the regional service centres and technical assistance on expanding AEPC in the federal structure	18.52	10	52
36	Battery management of solar technologies	20	0	0
4	<p>Utilization of international support: The allocated fund based on the agreement with the donors needs to be utilized within the stipulated timeline. The utilization of fund on National Rural Renewable Energy Programme allotted by various development partners has been nominal. Ineffective utilization of donor funds results in underperformance, hence such funds should be utilized effectively to the maximum.</p> <p>The total expenditure of international fund amounts</p>	Open	The fund received from the international development partners could not be utilized to the maximum as per the reason stated in point number 2 and 3 above. Due to the unavailability of the financial expenditure guideline of the received funds, the centre was not able to utilize it. In this context in order to have a guideline in place during	Closed based on the management response

	<p>to NRP. 308,771,000/- out of the approved NRP. 1,664,731,000/- raking in only 18.55%.</p> <p>Due to underutilization of the fund received from 2012 to 2017 A.D. under the National Rural Renewable Energy Programme, NRP. 1,977,785,000/- has been repatriated to the Denmark and Norway Government during the fiscal year 2075/76 B.S.</p> <p>Table given below:</p>		<p>the time of signing the agreement along with the budget and program, AEPC is regularly coordinating with its line ministry, Ministry of Finance and relevant donor agencies. Hence, in future as AEPC vies to improve the matter to achieve its targets within the stipulated timeline, requests for exoneration from arrear.</p>																															
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5	<p>The Financial Procedures Regulation 2064, states that every entity in order to fulfill its' objectives shall set its' targets and formulate budget as per the direction of its line agency and Ministry of Finance's budget ceiling, guideline and circulars. While formulating the budget, based on the format prescribed by the Financial Procedure Regulation 2064, programs should have clear indicators that define the units, quantity, numbers, etc. of the stated activities and sub-activities. Similarly in case of multi-year projects and current programs the formulation of budget should be accompanied with the total cost and quantity of the activities, incurred cost and quantity during the previous fiscal year and cost and quantity determined for the current fiscal</p>	Open	<p>AEPC has been implementing its annual budget and program based on the Financial Procedure Regulations 2064, supervision of the relevant line ministry and format prescribed by the National Planning Commission. In the context of inconspicuous indicators in some of the programs, due to the technical difficulties seen in practice while measuring some of the activities, the progress has been presented in a lump sum manner.</p> <p>In future AEPC will do its best to improve the matter by</p>	Closed based on the management response																														

	<p>year.</p> <p>For the fiscal year 2074/75 in the following activities under the National Rural Renewable Energy Program, targets have been determined based only on percentage while indicators to measure the quantity have not been identified. Analysing the aforementioned activities, the activities are quantifiable in nature. Setting targets only in percentage withholds from providing the quantitative aspects of the activities. Out of the pre-determined targets, completion percentage of the activities within the stipulated time could not be ascertained. Hence, a systematic procedure should be in place to control the approval of such programs.</p> <p>AEPC has allocated a total of NRs. 510,151,000/- to 13 major programs on a percentage basis. It should focus on determining quantifiable indicators and approve its annual program.</p> <p>Table is given below:</p>		<p>designing programs and activities that can be measured precisely. Hence, requests for exoneration from arrear.</p>	
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S.N.	Program/Activities Name	Unit	Approved Budget (In Thousands)	
National Rural Renewable Energy Program				
1.	Loan Mobilization for renewable energy technologies via Central Renewable Energy Fund	Percent	130,000/-	
2.	Capacity development activities for Central Renewable Energy Fund	Percent	185,000/-	
3.	Learning, training and capacity development on community electrification	Percent	46,500/-	
4.	Learning, training, capacity development and quality control on solar energy	Percent	37,500/-	
5.	Learning, training, capacity development and quality control on bio energy	Percent	71,500/-	
6.	Learning, training, capacity development and quality control on biogas.	Percent	35,500/-	
7.	Activities related to gender and social inclusion	Percent	5,000/-	
8.	Activities on carbon and climate change	Percent	17,500/-	
9.	Activities on productive energy use	Percent	10,000/-	
10.	South Asia Sub-Regional Economic Cooperation's Electricity Extension Project	Percent	36,931/-	
11.	Management and Evaluation expenditure on National Rural Renewable Energy Programme	Percent	50,000/-	
12.	Capacity development of stakeholder institutions, formulation of policies and plans related to renewable energy, implementation and monitoring of programs through the regional service centres and technical assistance on expanding AEPC in the federal structure	Percent	95,220/-	
13.	Battery management of solar technologies	Percent	10,000/-	
Budget Sub-Heading No: 3311083 Alternative Energy Promotion Centre, Current				
6.	Centre's long term stability: AEPC is institutionalized under the Development Committee Act 2013. AEPC is an institution set up as the focal point in renewable energy technologies and	Open	Refer to point number 1 for further clarification on the stated matter. AEPC has been concentrating its efforts	Closed based on the management response

	<p>mobilizing extensive support receive from development partners. The Ministry of Finance has made the decision to recommend AEPC as the Central Competent Authority for the Green Climate Fund. Such an institution should be made robust and sustainable with promulgation of necessary Act. This was identified in the previous audit as well but the situation has not improved since then.</p>		<p>towards coordination and discussions with relevant stakeholders for the Act to be promulgated and is optimistic towards the achievement of stability. Development of acts and laws are outside the jurisdiction of AEPC but nevertheless, it is fully committed on doing the necessary.</p> <p>Hence, AEPC requests for exoneration from this arrear</p>	
7.	<p>Non completion of work: Voucher No: 322-2075/3/6 and 384-2075/3/22: Article 117 of the Public Procurement Regulation 2064 states that public entities are required to prepare report of the construction works that have been completed.</p> <p>Of the current year approved program and budget, for the establishment of clean energy park an agreement with Tribhuvan University Institute of Engineering Pulchowk based on the agreement signed on Asadh 2nd, 2075 (14th June, 2018) , NPR. 9,000,000/- has been disbursed to the aforementioned service provider. Though the cost estimate was not available, stipulated timeline of completion with the fiscal year 2074/75 resulting in unavailability of information on progress and stipulation on the contract stating 50% disbursement prior to the completion of work, the service provider has been disbursed 100% of the total amount. Since, the work completion report is not available progress on the stated target on the program cannot be</p>	Open	<p>Tribhuvan University Institute of Engineering Pulchowk has been disbursed a total of NPR. 9,000,000/- for the establishment of clean energy park. The work completion report was yet to be furnished during the time of the audit. Since, the establishment of clean energy park has been completed, the work completion report will be prepared and submitted for the settlement of the arrear.</p>	<p>Open. A letter has been sent to the service provider along with the format of work completion report.</p>

	ascertained for NPR. 9,000,000/-			
8	<p>Subsidy Utilization: Voucher No: 402-2075/3/25:</p> <p>Article 117 of the Public Procurement Regulation 2064 states that public entities are required to prepare report of the construction works that have been completed.</p> <p>On the NPR. 4,699,023/- provided to Biratnaga Sub-metropolitan city office for installation of 200 cubic metre biogas pipeline at Shree Krishna Gausena Sadan, due to the lack the work completion report, it could not be ascertained whether the amount provided had been used for stated activity.</p>	Open	The 200 cubic metre biogas pipeline at Shree Krishna Gausena Sadan is in operation. As Biratnagar Sub-metropolitan City Office is yet to furnish the work completion report, AEPC will behest the work completion report from Biratnagar Sub-metropolitan City Office and submit it for the settlement of the arrear.	Open, a letter has been sent to Biratnagar Sub-Metropolitan City Officer along with the format of work completion report.
9	<p>Adjustment of Value Added Tax: The value added tax act 2052, article 18.1 decrees that taxpayers and those who make payments are to submit the monthly statement to the Inland Revenue Office within 25 days of the completion of the month.</p> <p>While searching the Inland Revenue Office website, following construction agencies had not submitted the monthly statements and were depicted as Non-</p>	Open	Payments were made to the construction agencies and mistakenly the value added tax adjustment letters were not provided to the said firms. Hence, the adjustment letters will be collected from the firms and will be submitted for the settlement of the arrear.	Open

	filers in the IRD website. Hence, the adjustment of VAT amount NPR 65,845 could not be ascertained.				
Journal Voucher Number and Date	Name of the service provider	Bill No and Date	Paid Amount	VAT Amount	Remarks
312/2075/3/18 Budget Heading: 3311103	Integrated Development Consultant and Supravat Consulting Pvt. Ltd. J.V. (VAT No: 605813713)	Bill number amended on 2075/3/13	81,370/-	9,360	Bill number 059 has been amended to 009
290/2075/3/6 Budget heading: 3311083	Institute of Himalayan Research Integrated Development Pvt. Ltd. (VAT No: 603544424)	Bill No: 00100 Date: 2075/3/1	434,500/-	56,485/-	
	Total			64,845/-	
10	Appointment of Consultant: Examining the complaint received on hiring of personnel sanctioned ineligible by the special court on the case of corruption on contractual basis, Mr. [REDACTED] has been appointed as Arrear Settlement Consultant from 2074/9/1 to end of Asadh 2075 for monthly remuneration of NPR. 50,000/-. For the month of Poush NPR 42,500/- after tax deduction of NPR. 7,500/- has been provided as remuneration to him under the rubric of current expenditure. AEPC should provide facts on the appointing of a personnel sanctioned ineligible by the court and on the budget	Open	The special court decision on ineligibility of Mr. [REDACTED] was known to AEPC only after the disbursement of the first month's remuneration. Immediately, after the fact came into surface the contract was nullified. Further, AEPC has implemented the self declaration form and made mandatory while hiring personnel on contractual basis. Hence, AEPC requests for exoneration from this arrear.	Open. The recovery of 42,500/- is in process.	

	heading via which the additional payment has been made to the personnel.			
Budget Sub-Heading No: 3311103 National Rural Renewable Energy Program				
11.	<p>Travelling Expenses: Article 4.1 of the Travelling Expenditure Regulation decrees travelling expenses to be economical and use of transportation that costs lower. AEPC is seen to be providing reserved vehicles for such purposes. Hence, such expenditure should be curbed and public transportation should be used where available.</p> <p>For example Journal Voucher No: 108-2074/9/5 has made a disbursement of NPR. 237,300/- Services on hiring of vehicle should be acquired on the basis of competition as per the public procurement act by allocation amount to the expenditure heading of hiring vehicles for monitoring and verification.</p>	Open	<p>Due to the decision made by AEPC on immediate intervention required for the assessment of deviation seen on the installation of biogas plant, reserved vehicles were used for the purpose.</p> <p>AEPC commits that in future, it will use economical method of transportation as much as possible and hence requests for exoneration from this arrear</p>	Closed based on the management response

Name of the travelling employee	Service provider for the vehicles	Description	Expenditure Amount
	Aditya Transport and Service Pvt. Ltd.	Gorkha Mulchowk Two Way	27,120/-
	R and R Centre Lalitpur	Nuwakot Kavre 4 days	47,460/-
	Aditya Transport and Service Pvt. Ltd.	Kavrepalanchowk 2 days	24,860/-
	Aditya Transport and Service Pvt. Ltd.	Kavre, Ramechap, Sindhuli 3 days	37,290/-
	Aditya Transport and Service Pvt. Ltd.	Dolakha Charikot Two Way	23,730/-
	Aditya Transport and Service Pvt. Ltd.	Dolakha Two Way	21,470/-
	Aditya Transport and Service Pvt. Ltd.	Sindhupalchowk Bahrabise Two Way	20,340/-
	Aditya Transport and Service Pvt. Ltd.	Lalitpur, 2 days	18,080/-
	Aditya Transport and Service Pvt. Ltd.	Sindhupalchowk Two Way	16,950/-
Total			237,300/-

12.	<p>Disbursement of remuneration: As per the letter number 2342 dated 2073/11/5 from Ministry of Finance, approval is given from providing remuneration for 2.5 months from 16th July 2017 to 30th September 2017 (2074/4/1 to 2074/6/14) amounting to NPR. 3,100,000/- to 10 consultants of National Rural Renewable Energy Program. However, AEPC has disbursed NPR. 4,250,865/- and hence the additional amount of NPR. 1,150,865/- is not consistent with the approved amount.</p>	Open	<p>In the context of the additional disbursement of additional remuneration amounting to NPR. 1,150,865/-, after obtaining the initial approval in principle for NPR. 3,100,000/- from the Ministry of Finance during the implementation of activities the actual timeline exceeded the anticipated hence the additional remuneration was disbursed. AEPC will obtain approval for the additional disbursement from the line ministry and submit for the settlement of the arrear.</p>	Open
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Journal Voucher Number and Date	Number of Employees	Timeline	Expenditure Amount
2074/05/19	10	2074 Shrawan and Bhadra	2,283,346/-
2074/6/25	9	Until 2074 Asoj 14	473,984/-
2074/8/24	6	2074/6/15 to 2074/11/16	1,493,535/-
Total			4,250,865/-

13.	Nominal Competition: Contractual procedures should be done ensuring maximum competition. In the context of reconstruction/rehabilitation earthquake affected 4 micro hydro projects, contract number AEPC/CESC/W/NCB/2074/75-02 was first published on 2074/7/15 and stating that the bid registration process was hindered, the bids received were not opened. On 2074/09/07 the notice for the contract was re-published. The re-publication resulted on registration of only one bid for the contract. The cost estimate for the contract amounted to NPR. 11,502,424.10 and the contract has been awarded for 10,954,689.62. The procurement process should be economical and ensure sufficient competition as stated in the Public Procurement Regulation.	Open	To ensure maximum completion, the invitations for bids have been called twice based on the regulation. The selection of the single bid received during the second call (article 26 4(ka) of PPR,2063) is based on the provision stated in the article 26 2 of PPA 2063. Situations like these are not common and the selection of bid is based on the prevalent act. AEPC has always been committed towards maximum competition in its procurement process. Hence, AEPC requests for exoneration from this arrear.	Closed based on the management response
14.	Direct Purchase: Article 8 of the Public Procurement Act, 2063 states that the procurement procedure must be selected. Article 8.2 states that breaking down procurement into smaller factions	Open	AEPC could not foresee the requirement of 11 laptops at the initial stages of the fiscal year. As the year progressed, requirement of consultants increased	Open

	<p>should be avoided as it limits maximum competition. Similarly rule 31 of the Public Procurement Regulation 2064 states that public entity shall directly procure where the cost estimate exceeds NPR 500,000/-. AEPC has purchased 11 laptops in 9 different direct purchases in the fiscal year amounting to NPR. 1,355,180/-. Goods and services of same nature should be procured floating a single contract with a combined cost estimate. Hence, the procurement is not consistent.</p>		<p>gradually and the consultants were to be provided with laptop for their day to day official works. AEPC did not flout the procurement act and regulation and due to unforeseen circumstances, the procurements had to be carried on need basis. AEPC contemplating the suggestion received, will prepare annual procurement plan from the next fiscal years and adhere to practices indicated in the act and regulation. Hence, requests for exoneration from this arrear</p>	
15.	<p>Payment made without disbursement details: Article 40 of the Financial Procedure Regulation 2064 states that liability should not created by spending more than the allocated budget. In cases where expenditure exceeds the allocated budget amount, the payment due for the next fiscal year in the prescribed form and format needs to be verified by the head of the entity and FCGO within Shrawan 15. The payable amount along with the Financial reports needs to be submitted to the relevant ministry, FCGO and OAG.</p>	Open	<p>The prescribed form (Ma.Le.Pa 18) on payables could not be prepared and verified as the relevant sections delayed the submission of bills. Though the payable report could not be prepared, the activities were under the approved annual budget, hence the payment was made. Since AEPC received the circular from the OAG stating that the omission of Ma.Le.Pa 18 doesn't stop payment process. The expenditure made cannot be termed inconsistent. AEPC will adhere to the article 40.7 of the Financial Procedure Regulations 2064 and submit the necessary report for verification and settle the arrear.</p>	Open

	The following Journal Vouchers depicts the instance where AEPC has made payments related to previous fiscal year without the necessary prescribed reports which is not consistent with the prevalent procedure and regulations.			
S.No.	Voucher Number and Date	Description	Paid Amount	Remarks
1.	2074/5/9	Remuneration for the month of Jyestha and Asadh, 2074 to Social Mobilizer hired on contractual basis	118,258/-	Budget Heading: 3311103
2.	2075/3/1	Installation of solar energy system at rural municipality office by Surya Birat J.V.	15,728,194/-	Budget Heading: 3311083
3.	2075/2/23	Payment made to Krishna and Grill Engineering Works Pvt. Ltd.	5,103,740/-	Budget Heading: 3311084
4.	2075/3/2	Payment made to Varieties Consulting Network Pvt. Ltd.	33,966/-	Budget Heading: 3311084
16	<p>Advance: Article 74.3 of the Financial Procedure Regulation 2064 states the settlement of the advance as per the stipulations stated in the regulation.</p> <p>As of the audit period, the following advances amounting to NPR. 50,010,337/- is yet to be settled</p>	Open	The settlement of advance is in process and will be submitted as soon as the necessary documents are received for its settlement	Open, Final Bill amounting to NPR. 11,100,000/- has been received and the advance has been settled. Remaining

				amount is under process																		
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17.	Scaling up Renewable Energy Program (SREP): The program was established via the agreement dated 24 th November 2014 between Government of Nepal and The World Bank. The total amount of the program is USD 7,900,000/-. The targeted completion date of the program is 31 st December, 2019 and it aims to support in fulfillment of the objectives of the National Rural Renewable Energy Program.	Open	No response required	Closed based on the management response																		
18	Budget Expenditure and Progress: SREP with the timeline of 5 years targets to mobilize USD 7,900,000/-. The foreign exchange rate of NPR. 99.93/- amounts to NPR 783,127,000/- in total. Expenditure until the previous fiscal year amounts to NPR. 84,501,302/-.Expenditure amounts to only 11.83% of the total amount allocated for the current fiscal year. In this fourth year of the program out of the total five years, the financial progress is nominal amounting to NPR 145,839,657.25 i.e.18.62%	Open	AEPC will concentrate its effort in achieving the financial target in the next fiscal year.	Closed based on the management response																		

19	SREP's computation of expenditure is submitted as the following	Open	No response required	Closed based on the management response																		
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20	Reimbursement not claimed: Article 37 of the Financial Procedure Regulation 2064 states that the amount expended from government fund as a reimbursable fund from the donor agency should be reimbursed within 45 days based on the agreement with the donor agency. NPR. 48,480,792/- from IDA Grant No TF 016552 NP is yet to be reimbursed. The amount should be reimbursed from the donor agency.	Open	The reimbursement of the said amount has been claimed and once the amount is reimbursed, it will submitted for settlement of the arrear.	Closed based on the management response																		

21	<p>SASEC (AEPC Component): With the objective of increased capacity of electricity transmission, improvement in electricity distribution network, development of mini grid based on renewable energy at areas with no access to the national grid, capacity development of Nepal Electricity Authority and AEPC, Government of Nepal and Asian Development Bank signed an agreement on 4th July, 2014 for the program starting from 2015 until 31 December 2021 allocating a total of USD 440 million. The total amount constitutes of USD 180 million from ADB Loan, USD 11.20 from ADB Strategic Fund Grant, from Norwegian Grant, USD 120 million from European Investment Bank Loan, USD 60.33 from Government of Nepal and USD 8.47 million from communities. Out of the current fiscal year allocated budget of NPR. 583,381,000/-, financial progress amounts to only 42.41% i.e. NPR. 247,433,288/-. The total financial progress is very nominal and has met only 14% i.e. NPR. 333,162,298/-</p>	Open	<p>While implementing a program that consists of multiple donor agencies, coordination and unfavorable circumstances have played the major part in the nominal progress of the program. Further, lack of coordination, unavailability of a clear guideline, blockade, and destructions caused by the earthquake and lack of timely and continuous guidance from the line ministry resulted in the nominal progress. AEPC in concentration it efforts towards a robust coordination with donor agencies and the line ministry for effective implementation of the program. Hence AEPC requests for exoneration from this arrear.</p>	Closed based on the management response
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23.	Reimbursement not claimed: Article 37 of the Financial Procedure Regulation 2064 states that the amount expended from government fund as a reimbursable fund from the donor agency should be reimbursed within 45 days based on the agreement with the donor agency. Total of NPR. 165,166,771/-	Open	The reimbursement of the said amount has been claimed and once the amount is reimbursed, it will be submitted for settlement of the arrear.	Closed based on the management response																								

	comprising of NPR.133,826,771/- from ADB Grant No. 0398 NEP and NPR. 31,340,000/- from Loan No. 3139 NEP is yet to be reimbursed. The amount should be reimbursed from the donor agency.			
Central Renewable Energy Fund (CREF)				
24.	Accounting Procedure: As per financial procedure act, 2055 section 10 states that accounting of financial transactions should be as per the prescribed procedure of Government of Nepal. AEPC is accounting on cash basis double entry system. Additionally AEPC also separately maintains the books of account for the grant received from donor in NAVISON and SAMS Software. These software are not recognized/approved by government of Nepal. So, prior approval and security assurance must be established.	Open	Accounting system of this organization is in accordance with requirement of Government of Nepal as stated in section 10 of Financial Procedure Act, 2055. Cash basis double entry system is implemented for the budget received from Government and monthly and annual reports are prepared on that basis. Amount received from development partners are recorded in Navision and SAMS software. Use of Navision software is provisioned in the NRREP Administrative and Financial Guideline which was approved by Steering Committee with representatives of government of Nepal and donor agencies. The software has not resulted in any issues relating to security and AEPC commits that necessary steps will be taken for approval of the software from the government in consultation with development partners and	Closed based on the management response

			hence requests from exoneration from this arrear.	
25	Bank Accounts and Operation of Fund: The CREF operation manual's point number 25 states funds received from development partners and Government of Nepal will be deposited in to CREF's handling bank account. The handling bank accounts are pre-determined by the operation manual and classified into four different accounts namely (i.) Investment Account (ii.) Subsidy Account (iii.) Loan Account and (iv.) Secretariat Account. As per the description of bank accounts received from the incumbent handling bank NMB Bank, out of 46 bank accounts opened 26 of them are in operation. This indicates that the numbers of the bank accounts are more than what is required as per the operation manual and management of these numerous bank accounts will be arduous.	Open	The 46 bank accounts were opened based on requirements and out of the 46, 26 bank accounts are still in operation. Further discussion shall be conducted with the relevant stakeholders on closure of bank accounts that are not relevant and necessary.	Closed based on the management response
26.	Fund Balance: Global IME bank was the handling bank of CREF until 14 th January 2018, after that NMB Bank was selected as the handling bank on the	Open	The interest earned clearly indicates the additional revenue generated by the fund. Incorporating the suggesting received from the previous audit, for risk	Closed based on the management response

	<p>basis of competition. The funds at Global IME have been transferred to the new handling bank NMB Bank. NMB bank entered in to the agreement to provide 8.5% interest on the fund available for subsidy and other accounts. Besides this, for the purpose of liquidity management 12 different banks have been allocated NPR. 1,999,600,000 as term deposits which will provide 11% interest p.a. on the amount. CREF has earned interest amounting to NPR. 95,682,000/-. As on end of Asadh, 2075 the total amount remaining is NPR. 5,054,793,000/- constituting of NPR. 3,006,801,000/- at the handling bank and NPR. 1,999,600,000/- at other banks. The operation manual states that the amount must be utilized for increasing the earnings of the fund.</p>		<p>management, the fund has invested the amount in 12 other banks. The security of the fund and maximum generation of revenue has been the topmost priority and hence request for exoneration from this arrear</p>	
27	<p>Internal Audit: Point 1 of the CREF operational manual provisions conducting internal audit of the fund by the compliance unit and submitting the report to the investment committee. The internal audit of the fund has not been conducted.</p>	Open	<p>Compliance unit has been established and will be conducting the internal audit of CREF.</p>	<p>Closed based on the management response</p>

28	Monitoring and Penalty: Subsidy delivery mechanism 2070 provisions up to 50% penalty and cancellation of recognition of defaulting companies in cases where deviations are found during the third party monitoring. For the solar installations of 2072/73, 7 lots were formed and monitoring was conducted on 3,079 solar technologies. Penalty is yet to be computed on the deviations found during the monitoring of the stated number of technologies	Open	The computation of penalty is ongoing. AEPC is concentrating its efforts towards creating an environment where deviations can be completely eliminated. In future, the computation of penalty on the deviations will be conducted on time and penalty will be levied as soon as possible.	Closed based on the management response
29	Report on utilization of fund: As per the point 33.1 of the CREF operational manual , the utilization of the investment fund shall be reported based on Annex 2 through AEPC to the Government of Nepal and Development Partners. Discarding the prescribed format results in non disclosure of the actual mobilization of subsidy and loan. Hence, reporting shall be done in the prescribed format.	Open	Due to some technical difficulties the report could not be produced in the prescribed format. This will be rectified and the report will be submitted in the prescribed format within the required timeframe	Closed based on the management response
30	Fund Transfer: The CREF Operational Manual's point number 33.1provisions the earnings from carbon, remaining amount at the micro hydro debt fund and biogas credit fund along with the liabilities to be transferred in to CREF. AEPC currently has the following funds which have not been transferred to	Open	These funds in question involve multiple development partners and at times are faced with technical difficulties during coordination and implementation. For minimizing these issues, it needs to be identified and addressed in the	Closed based on the management response

	CREF.		steering committee's meeting which happens from time to time involving development partners and government of Nepal.													
<table border="1"> <thead> <tr> <th>S.No.</th> <th>Name of the Fund</th> <th>Available Balance</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Carbon Fund (NPR)</td> <td>1,042,354,154.78</td> </tr> <tr> <td>2.</td> <td>Biogas Credit Fund (NPR)</td> <td>247,456,595/-</td> </tr> <tr> <td>3.</td> <td>Micro Hydro Debt Fund (Euro)</td> <td>100,877.75</td> </tr> </tbody> </table>					S.No.	Name of the Fund	Available Balance	1.	Carbon Fund (NPR)	1,042,354,154.78	2.	Biogas Credit Fund (NPR)	247,456,595/-	3.	Micro Hydro Debt Fund (Euro)	100,877.75
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2.	Biogas Credit Fund (NPR)	247,456,595/-														
3.	Micro Hydro Debt Fund (Euro)	100,877.75														
31.	Carbon Fund: Sales of carbon emission reduction has earned NPR. 667,533,000/- until the last fiscal year and this year the earning amounts to NPR. 376,564,000/- for the current fiscal year. Out of the amount received since 2017, this year the NPR. 1,742,000/- has been spent on consulting services and the remaining fund amounts to NPR. 1,042,354,000/-. Required guideline or procedure must be develop to utilize the carbon fund in promoting clean energy and conservation of environment	Open	The amount spent on consulting services is for the services of climate and carbon experts. The development of guideline for the utilization of the carbon fund is ongoing and once approved it shall be implemented to utilize the fund.	Closed based on the management response												
32.	Additional fund: Article 33 of the Financial Procedure Regulation 2064 provisions that the budget headings that do not freeze needs to be defined by FCGO. Disbursement from the budget freeze headings should be made 7 days prior to the end of the fiscal year and accounts should be closed.	Open	This is based on the agreement with development partners, as disbursements are to be made as per the agreements. This transfer ensured that the subsidy could be provided on a timely basis. AEPC will definitely	Closed based on the management response												

	Under the current budget for additional subsidy to the micro hydro projects that have remained incomplete, AEPC has provided subsidy amounting to NPR. 82,700,000/- to 38 of such micro hydro projects. At the end of the fiscal year, the remaining budget amount for the program amounting to NPR 52,500,000/- has been transferred to one of the current account of AEPC opened in a commercial bank. The transferred amount do not belong to the budget heading that do not freeze and hence should not be transferred.		improve on this matter	
33	Micro hydro debt fund: With the objective to provide loan to micro hydro projects, in support of GIZ the fund was established. The fund amounting to Euro 100,877.75/- placed at Nepal Rastra Bank Account No: 1202603 001004978 KHA International Grant has not been utilized at all. The fund should be transferred to CREF as per the provision 8.7 of the CREF operational manual	Open	Due to the lack of a proper fund utilization guideline, the fund has not be utilized. Once the guideline is in place the fund will be utilized accordingly.	Closed based on the management response

34	Revolving Biogas Credit Fund: The balance sheet of the revolving fund established in 2000 A.D. with the support of German Government KFW is given below:	Open	No response required	Closed based on the management response
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Description	Amount (2074/75)	Amount (2073/74)
Sources of Fund		
Fund Balance at KFW	107,465,859/-	122,818,124/-
Fund Balance at MoF	135,095,715/-	119,673,728/-
Revolving Credit Fund	4,442,603/-	4,233,435/-
Biogas Credit Fund	4,517,375/-	2,090,268/-
Other Payables	220,070/-	218,477/-
Loan Loss Provision	4,500,000/-	-
Total	256,241,622/-	249,034,032/-
Application of Fund		
Cash at Bank	247,456,595/-	240,153,624/-
Loan and Advances	8,785,027/-	8,880,408/-
Total	256,241,622/-	249,034,032/-

35.	Status of income and expenditure: The status of income and expenditure of the Revolving biogas credit fund is as following	Open	No response required	Closed based on the management response																																								
<table border="1"> <thead> <tr> <th colspan="2">Income</th> <th colspan="2">Expenditure</th> </tr> <tr> <th>Description</th> <th>Amount</th> <th>Description</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>1. Opening Balance</td> <td>249,034,032/-</td> <td>1. Current year expenditure</td> <td></td> </tr> <tr> <td>(Ka.) Bank Balance</td> <td></td> <td>(Ka.) Bank Commission</td> <td>55/-</td> </tr> <tr> <td>(Kha.) Loan</td> <td></td> <td>(Kha.) Audit fee and other expenditure</td> <td>299,317/-</td> </tr> <tr> <td>(2.) Current year income</td> <td></td> <td>(Ga.) Transfer to operation account</td> <td>2,500,000/-</td> </tr> <tr> <td>(Ka.) Interest earned from loan</td> <td>418,336/-</td> <td>(2.) Closing Balance</td> <td>256,241,622/-</td> </tr> <tr> <td>(Kha.) Interest from bank</td> <td>9,417,508/-</td> <td>(Ka.) Bank Balance: NPR 247,456,595/-</td> <td></td> </tr> <tr> <td>(Ga.) Income from fines</td> <td>171,118/-</td> <td>(Kha.) Loan: NPR. 8,785,027/-</td> <td></td> </tr> <tr> <td>Total</td> <td>259,040,994/-</td> <td>Total</td> <td>259,040,994/-</td> </tr> </tbody> </table>					Income		Expenditure		Description	Amount	Description	Amount	1. Opening Balance	249,034,032/-	1. Current year expenditure		(Ka.) Bank Balance		(Ka.) Bank Commission	55/-	(Kha.) Loan		(Kha.) Audit fee and other expenditure	299,317/-	(2.) Current year income		(Ga.) Transfer to operation account	2,500,000/-	(Ka.) Interest earned from loan	418,336/-	(2.) Closing Balance	256,241,622/-	(Kha.) Interest from bank	9,417,508/-	(Ka.) Bank Balance: NPR 247,456,595/-		(Ga.) Income from fines	171,118/-	(Kha.) Loan: NPR. 8,785,027/-		Total	259,040,994/-	Total	259,040,994/-
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35.1	The fund has not mobilized additional loan amount in the current fiscal year.	Open	No loan amount mobilized	Closed based on the management response																																								
35.2	Out of the loan given to 4 cooperatives, NPR. 8,785,027/- is yet to be recovered which consist of interest NPR. 3,225,120/- as principle and NPR. 1,271,811/- as interest, totaling to NPR. 4,496,931/-. No action has been taken on recovery of the loan	Open	NPR. 4,496,931/- will be recovered and submitted for settlement	Closed based on the management response																																								

	amount			
35.3	The loan loss provision is set at NPR. 4,500,000/-. Rather than setting loss provision, efforts should be concentrated towards recovery	Open	AEPC is committed in minimizing the loss provision and expediting the recovery process	Closed based on the management response
36	Closing Balance of National Rural Renewable Energy Program: The closing balance of the program including the opening balance NPR. 963,154,137/- and earning of the current fiscal year NPR. 1,499,205/- with the grand total of NPR. 978,153,342.31. NPR. 667,532,392.45 have been transferred to the carbon fund and closing balance at the NRREP is NPR. 310,620,950/- Decision needs to be made on the utilization of the fund.	Open	In the context of utilizing the closing balance of NRREP amounting to NPR. 310,620,950/- , in coordination and discussion with the development partners, government of Nepal and assessing the prevalent circumstance, decision will be made for the proper utilization of the fund.	Closed based on the management response
37.	Refund of Security Deposit: The PPR 2064 article 124(2) provision the refund of retention money after the submission of income statement to the inland revenue office. As per the subsidy delivery mechanism the 10% retention money withheld during the disbursement of subsidy in the case of	Open	The security deposit amount was refunded based on the agreement between AEPC and the service provider where deviations were not found during the monitoring , as per the PPA & PPR after receiving the performance guarantee the refund was made. This doesn't result in any negative implications for the government of Nepal.	Open

	<p>solar technology where no deviation has been found during monitoring shall be refunded. AEPC has refunded the security deposit amount to the service providers given in the table below on the basis of performance guarantee. The provision of refunding security deposit on the basis of performance guarantee is not provisioned in PPA and PPR. Hence, the refund of NPR. 12,79,821/- does not adhere to the applicable rules and regulations. The official allowing the refund should be held responsible.</p>		<p>However, amendments will be made on relevant points of the agreement to ensure improvement in the stated matter. This is not the case of not adhering to FPR and PPA but due to the different nature of the security deposit , the refund was made. In future, AEPC assures that for improvement necessary instructions has been given to relevant officials</p>																			
<table border="1"> <thead> <tr> <th>Voucher and Date</th> <th>Amount refunded to</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>2074/8/28</td> <td>Smart Power</td> <td>200,000/-</td> </tr> <tr> <td>2074/11/6</td> <td>Techno Village Pvt. Ltd.</td> <td>125,000/-</td> </tr> <tr> <td>2075/2/13</td> <td>Smart Power Pvt. Ltd.</td> <td>770,584/-</td> </tr> <tr> <td>2075/2/21</td> <td>KGEWPL Emison J.V.</td> <td>184,237/-</td> </tr> <tr> <td>Total</td> <td></td> <td>12,79,821/-</td> </tr> </tbody> </table>					Voucher and Date	Amount refunded to	Amount	2074/8/28	Smart Power	200,000/-	2074/11/6	Techno Village Pvt. Ltd.	125,000/-	2075/2/13	Smart Power Pvt. Ltd.	770,584/-	2075/2/21	KGEWPL Emison J.V.	184,237/-	Total		12,79,821/-
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2075/2/21	KGEWPL Emison J.V.	184,237/-																				
Total		12,79,821/-																				
38	<p>Refund of security deposit without VAT adjustment letter: As provisioned by regulation 124(2) of the Public Procurement Regulation 2064,</p>	Open	<p>The firms will be followed up on the missing letter and will be submitted for settlement once received.</p>	Open																		

	the security deposit of construction enterprises is to be refunded based on the tax documents submitted at the Inland Revenue Department. Security deposit has amounting NPR. 3,091,314/- been refunded without the adjustment letter to the following:			
	Voucher Number and Date	Amount refunded to	Amount (NPR)	
	2075/1/6	Executive consulting engineering and planner Pvt. Ltd.	126,718/-	
	2075/1/6	T D energy and multi construction Pvt. Ltd.	49,277/-	
	2075/1/6	Omni Business Corporate International	788,125/-	
	2075/1/6	Value Innovations Pvt. Ltd.	91,446/-	
	2075/1/6	Synergy engineering and consultant Pvt. Ltd.	24,942/-	
	2075/1/6	Clean and green renewable energy and wash Nepal Pvt. Ltd.	121,236/-	
	2075/1/6	Yasaswi engineering solutions Pvt. Ltd.	182,778/-	
	2075/2/1	Yasaswi engineering solutions Pvt. Ltd.	59,890/-	
	2075/2/2	Krishna Grill Topsun J.V.	798,518/-	
	2075/2/2	Krishna Grill and Engineering Works Pvt. Ltd.	840,384/-	
	Total		3,091,314/-	
39	Internal Control system: As stipulated in regulation 95 of the Financial Procedure Regulation, work performance needs to be accompanied by internal control system based on the nature of the work. This includes the control environment, identification of area of risks and monitoring and evaluation. Internal control system on each work performance is lacking	Open	The internal control system has significantly improved compared to previous years. AEPC is committed to incorporate the suggestions and will systematize internal control system in its operations and performances.	Closed based on the management response

40	<p>Fiscal Accountability: As provisioned by article 45 of the Financial Procedure Regulation 2064, it should be ensured that the disbursement of fund and implementation of activities economical, effective, relevant with stipulated regulations followed while accounting for expenditure and revenues. As per the assessment conducted, AEPC in terms of fiscal accountability ranks at Grade B (68%). Further improvement needs to be made in fiscal accountability.</p>	Open	AEPC is committed towards improvement in fiscal accountability	Closed based on the management response
41.	<p>Total Arrears and Settlement: As stipulated by regulation 108 (CHA) of Financial Procedures Regulation 2064, proper documentation has to be maintained stating the amount of arrears and settlement of the arrears. As per the documentation out of the total arrear of NPR. 321,564,000/- , NPR. 19,616,000/- has been settled and the remaining arrears amounts to NPR. 301,648,000/-</p>			Closed based on the management response

5 Progress Assessment Compliance Review 2nd Trimester 2075/76 (2018/19)

This section documents the status of Compliance Review for the Second Trimester Findings as stated in the *Compliance Review 2nd Trimester 2018/19 Report* dated 3rd April, 2019. The issues closed by that report are not included here. The assessment was carried out against the relevant indicators for progress by assigning ratings of High, Medium and Low. The progress levels are reproduced below in Table 1: Levels of Progress:

Table 1: Levels of Progress

Progress Level	Description
High Progress	Represents a situation where the issues identified have been closed by AEPC management and approval obtained from the Office of Auditor General (OAG)
Medium	Represents a situation where the issues identified have been closed by AEPC management but approval yet to be obtained from the OAG also represents a situation where the issues identified reflects good progress made
Low Progress	Represents a situation where there is no progress or very less progress made in the the issues identified.

This Trimester review report measures the the trajectory of progress since the *Compliance Review 2nd Trimester 2018/19 Report* dated 3rd April, 2019 assessment using an arrow system.

Table 2: Trajectory of progress

Positive progress	↑+
No change	↔

The following coding system has been used to represent the date and name of the report where the findings have been depicted. In case of OAG findings, the number assigned by the OAG audit follows the codes given below respectively.

Table 3: Basis for coding of findings/issues

PR7374	Preliminary Report 2073/74 of Office of Auditor General(OAG).
PR7273	Preliminary Report 2072/73 of Office of Auditor General(OAG)
PR7172	Preliminary Report 2071/72 of Office of Auditor General(OAG)
CU7475	Compliance Unit Findings of fiscal year 2074/75

Table 4: 2nd Trimester Assessment (F.Y. 2018/19)

S.N.	Findings/Issues	Progress as of 3 rd April 2019	Progress as of 25 th Sep, 2019	Δ	Evidence/Assesment as of 25 th September, 2019
Solar					
Solar Tuki Distribution:- Under the programme“Light for Education”, for providing solar tukito 25,000 students of class 9 and 10 of deprived/disadvantaged,dalits andmarginalised family, budget amounting to NPR Ten Croreswas allocated. For distribution of 10 watt solar tukis, tender of NPR.88,547,350/- for package 1, 3 and 4 was awarded to Surya Roshani Industries Pvt. Ltd. to purchase 24,665 solar tuki. Another tender of NPR.8,527,365/- for package 2 awarded to S.L. Solar Asia Pvt. Ltd. to purchase of 2,415 solar tukis. Total amount of NPR.97,074,715/- has been paid. The procurement of the solar tukiis shown below:					
1.	PR7374-11.1: To prepare the estimate of number of targeted students for providing 10 watt solar tuki to them, “District Environment, Energy and Climate Change Section” of District Development Committee coordinated with District Education Office.Total demand of 24,620 units of tuki for all 75 districts for the targeted student of class 9 and 10 was received. Estimated at NPR.4,047.50/- per unit, total estimated budget amounted to NPR.99,649,450/-. The tenders have been approved citing thatthe quotation received was lower than the estimated amount. During the contract signingas the schoolsdemanded extra units of tuki, 10% i.e 2,462 tuki, it was included in the contract citing that the quotations received had been lower than the total estimate. However,the list of additional students was not available for verification. The additional payment made to the supplier amounting to NPR.8,838,580/-(per unit cost NPR.3,590/-) is not regular.	Medium	Medium	↔	A file as been preapred but not yet approved by the Secreatry of the line minstry to regularize the expense and has asked for additional evidence. AEPC has submitted the document with additional evidence to the concerned ministry to regularize the cost. Approval is yet to be obtained.
Solar Street Light: On the basis of recommendation made by local bodies and work completion report of 17 different installer companies, AEPC has disbursedNPR.67,662,207.89/- for installing solar street lights in 29 local levels. Findingsrelated to subsidy are mentioned below:					
2.	PR7374-17: Payment made without Invoices/Supporting documents: NPR. 1,710,400 disbursedto the various parties without obtaining relevant supporting document. Concerned employee disbursing the amount with supporting document should be made responsible	Medium	Medium	↔	Approval obtained as following OAG’s letter 75/76/132 Date: 2075/7/13 The remaing amount is NPR. 9,100,400/-
3.	PR7374-19: Advances: Advance	Medium	Medium	↔	Amount 2,176,967 closed with the

25th September, 2019

	taken must be settled or accounted within stipulated time as per rule 74(3) of Financial Procedures Rules, 2064, we observed that the advance of NPR.2,346,905/- have not been settled yet.				following detail Bank Voucher: 492 Date: 2074/03/19 Approval from OAG dated 2076/1/9, letter number 559 Documentation for the remaining amount is in the process.
Alternative Energy Promotion Centre – Capital (3311084)					
3311223/4 Improved Rural Energy Service Programme (Kabeli Transmission Project): The agreement between GoN and IDA on 27 June 2011 (Grant No H676-NEP) to complete the Kabeli Transmission Project within 30 June, 2015 was extended till 16 June, 2016. It was agreed to provide SDR 24,000,000.00 (In words: 24 million) out of which SDR 17,300,000 in first installment; SDR 5,800,000 in second installment and SDR 900,000 in final installment was set as the disbursement mechanism. It was mentioned that the amount received in first and second installment to be utilized by Nepal Electricity Authority (NEA) and the third installment by AEPC. A programme to promote alternative source of energy was conducted to the persons affected by transmission line under the programme of Rural Enhancement Energy Services to communities, Third Phase of Kabeli Transmission Line project. In the previous fiscal year total expenditure amounted to NPR.83,564,797.00/- (in words: Eighty three million five hundred thousand seven hundred and ninety seven) i.e. 80.84% and NPR.42,263,506.20/- in the current fiscal year with a grand total of NPR. 125,828,303.20 expensed (121 % of allocated fund).					
4.	PR7374-24: Disbursement of additional facilities beyond the terms of contract: Under the Improved Rural Energy Service Programme (Kabeli transmission project), besides the social security contribution as per the clause no 3 and 5 of the agreement with individual consultants additional remuneration or indemnification will not be provided to the consultants. The project has provided dashain allowance amounting to NPR. 334,367/- which is not mentioned in the contracts of the individual consultants. The amount needs to be recovered.	Medium	Medium	↔	The cases have been justified based on arrangements as necessary. Justification is yet to be achieved for NPR. 41,666.
5.	Reimbursement: Amount NPR.270,982.11/- spent by AEPC shown as reimbursable amount from the World Bank. Since the project period has matured, the reimbursable amount need to be settled.	Medium	Medium	↔	The process is ongoing, the file is at the respective line ministry. The file no is 75/76/474 dated 2075/6/18
3311103 NRREP (National Rural & Renewable Energy Programme): The estimated amount to be expensed as per agreement is USD 170.10 million (NRs. 23,322,775,288/-). Out of the total fund, USD 113.1 million for ‘Central Renewable Energy Fund’, USD 40.10 million for ‘Technical Support’, USD 8.4 million for ‘Business Development Renewable Energy & Productive Energy’, USD 5.1 million for ‘NRREP Management’ and USD 3.4 million for ‘Studies & Audit Services’. GoN agreed to contribute 40% amounting to NPR. 5,969,829,699/- and the rest 60% amounting to NPR. 8,954,744,400/- is contributed by donor agencies (DANIDA, Norway, Germany (K.F.W), DFID, GTZ, SNV, UNCDF/UNDP and SREP). Grand total of NPR. 14,924,574,000/-					

25th September, 2019

6.	PR7374-30: Payment made without VAT Invoice: Advocate Mr. Shambhu Prasad Dahal was contracted for NPR. 350,000/- including VAT for translation of Renewable Energy Subsidy Policy into English. The payment made from Voucher No. 349/074/3/18 is without VAT invoice. The VAT amount NPR.40,265/- should be recovered.	Medium	High	↑+	The amount has been collected via voucher no 1484196 dated 2075/11/29. Approval from OAG dated 2076/1/9, letter number 559
Expenses					
7.	PR7374-31.1: Payment made for vehicle hire from Hetauda to Kathmandu NPR. 69,000/- via voucher no. 224/074/2/8 was made without appropriate supporting document. The general rate of the transportation business committee rate should be obtained as supporting.	Medium	Medium	↔	The management response stated that: "Due to the remoteness of the areas, the vehicle rates have been expensive and do not match with the average rates of the transportation business committees." AEPC has prepared the necessary documents and also requested to Transportation Entrepreneurs association chalani 1275 dated 2075/10/11 for detailed rated.
8.	PR7374-31.2: NPR.24,253/- was paid for motorcycle repair on the basis of the estimate to Mr. Ram Prasad Yadav. The motorcycle is not registered in the name of the AEPC. The budget of AEPC is not meant for personal assets repair; hence, the payment is not regular.	Low	Low	↔	AEPC has requested the line ministry with a letter having following details 1273 chalani, 2075/10/11 for Ministry Personal secretariat for detailed address of the personnel.
9.	PR7374-32: Advance: It shall be the duty of both the advance provider and the advance receiver to settle the advance within the time limit as specified in the rule 74(3) of financial procedures rules, 2064. We observed that the advance of NPR.21,683,105.21/- have not been settled yet.	Medium	High	↑+	Advance settled and OAG approval yet obtained dated 2076/1/9, letter number 559 1. Nepal Urja Bikas Company Amount: 2,600,000 Journal Voucher Number: 25 Date: 2075/6/10 2. Khilung Kalika Agro Firm Amount: 19,083,105.12 Journal Voucher Number: 178 Date: 2074/11/15
Solar Hybrid Mini Grid system: As per agreement between project and Suryodaya Energy Pvt.Ltd. on 23 rd Feb 2017 for installation of solar/wind energy hybrid mini grid system to be completed by 23 rd July 2017 amounting to NPR.1,74,000,075/- (Excluding VAT) is agreed upon. The service provider has been provided first installment amounting to NPR.3,480,015/- as 20% of agreement amount and NPR.2,586,660/- on the basis of first running bill. In total NPR. 6,066,675/- has been disbursed.					
10.	PR7374-39.2: Service provider company Suryodaya Energy Pvt.	Medium	High	↑+	Closed OAG approval obtained dated 2076/1/9, letter number 559

	Ltd has been given advance 20% of amount as first installment (NPR.3,480,015/-)paid via voucher No 149/2073/12/30 is not shown as advance. The amount needs to be shown as advance.				
Security Deposit: As per AEPC's financial report, including previous year's security deposit liability amount of NPR.37,236,763.71/-, the total deposit amounts to NPR.110,132,223.16/-. Post refunding security deposit amounting to NPR.18,122,194/-, NPR.92,010,029.16/- remains as security deposit. Following points are observed regarding refund of security deposit.					
11.	PR7374-41.1: Retention Money: As per rule 124(2) of Public Procurement Rules, 2064, retention money has to be refunded after service provider submits the annual income tax return in the Inland Revenue Department. The refund in the case of service provider of solar energy system installation i.e. 10 % retention money will be refunded after inspection from AEPC. Bank Guarantee and inspection report with recommendation for payment could not be tracked while refunding the retention amount. AEPC has refunded the retention money to service provider listed below on the basis of the performance guarantee. The refund of retention money NPR.5,310,291/-is not regular.	Medium	Medium	↔	The approval has been obtained from the Ministry but yet to be approved has requested for monitoring evidence.
Inspection, Appraisal and Fine &Penalty : On the penalty levied by AEPC on installations related to Solar Home System and Bio-gas Plant on the based on the approved subsidy delivery mechanism, following observations are made:					
12.	PR7374-50.1: As per Section 5.1.3 of Renewable Energy subsidy Delivery Mechanism 2070, random sampling monitoring of at least 10% solar home system installed byvarious installation company is to be conducted via Third Party Monitors. The monitoring deviations are classified as: not installed as per agreement, not meeting quality criteria, could not ascertain the installed person, installed after the first inspection was made, double claim, claiming others' installation as own, no description of manufacturer and capacity in battery, no manufacturer serial number in panel, multiple claim from a single family, installation in other's name ,	Medium	Medium	↔	Total amount recovered until 04-03-2075 is NPR 30,486,449.60/- and balance NPR. 17,365,359.59 needs to be recovered as soon as possible. Out of the total Total:1 47,851,809.19 The remaining amount is NPR. 5,428,679.86 The remaining amount as of the 25th Sep, 2019 is NPR. 3,179,662.36 is remaining.

	installing by making variation in VDC or District, mismatch of serial number of panel and battery mention in application, claiming subsidy without proper knowledge that partial subsidy was provided by other company. There is provision of penalty of 5%, 50%, 100% & 200% as well as removal of registration on severe condition. The condition of cancellation of registration has not been clearly stated although there is provision for such. All together 62 companies has been fined amounting to NPR.47,851,809/- for non-compliance of the Subsidy Delivery Mechanism based on the monitoring results of the third parties in 2014/15 and 2015/16.				
13.	PR7374-50.3: The Bio gas companies which failed to comply with the quality standard/procedure as per Third party monitoring for F.Y 2071/72 and 2072/73 has been levied penalty of NPR.18,319,630.92/-. The amount should be recovered.	Medium	Medium	↔	Penalty of NPR. 18,319,630.92/- including NPR. 9,225,242.57/- from 83 companies for F.Y. 2071/72 and NPR. 9,094,388.35/- from 72 companies for F.Y. 2072/73 has been recovered via voucher number 1637 dated 2075/12/14. Approval yet to be obtained from OAG
14.	PR7374-55: Variation order: As per section 118(1) of Public Procurement Act 2064, once a work under a procurement contract has already been started, if alteration or addition of new item to or replacement to the quantity of such work is required due to technical reasons, the following authority may, after preparing the cost estimate of such alteration and new item, issue a variation order as follows subject to the provision of Section 54 of the Act. There has been a variation agreement of NPR.4,19,200/- on 5 July 2016 to complete the work between 16 th July 2017 to 9 th December 2017 stating “Variation Order (VO) to HB to Perform Task of Financial Closure; Reconciliation and Reporting”. The variation order agreement of NPR. 419,200/- for activities that are of regular nature of the handling bank cannot be deemed regular.	Medium	High	↑+	Closed via OAG letter obtained dated 2076/1/9, letter number 559

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1	<p>PR7273-7: Excess payment over agreement Improved Rural Energy Service Programme (Kabeli Transmission Project) As per the clause no. 3 & 5 in agreement of appointed individual consultant has mentioned, no additional allowance or gratuity beside social security contribution is to be provided. The project has provided dashain allowance to the consultants against the agreement amounting to NPR.412,207.00/-</p>	Medium	Medium	↔ Amount yet to be recovered: 1. Program Consultant, Saroj Raj Baral, NPR.24,400/- 2. Program Support Officer, Om Khanal, NPR. 12,980/-
2	<p>PR7273-19.3: Excess Payment: As per public procurement act, 2064, rule 122, supplier has to tender the bill with detail of goods, quantity & rate to release the payment, rule 123 states that bill should be approved & authenticate by concern authority on the basis of work performance for the release of payment. Excess payment made on installation of street solar light amounting to NPR.3,161,587/-has to be recovered.</p>	Medium	Medium	↔ NPR. 4,800 recovered from Nepal E Com Concern Pvt. Ltd. NPR. 363,345 from Krishna grill and engineering OAG Letter no: 7475/582 dated 2075/3/10 Total Amount collected: 2987401.76 Remaining Amount: NPR.174,186/- OAG letter yet to be collected. As of 25th Sep, 2019 NPR. 78,800.56/- remaining.
3	<p>PR7273-19.4: TDS not Deducted: As per Income Tax Act, 2058, section 89 (1), TDS @1.5% has to be deducted on payments. The total amount of NPR.82,486,470.92/-has been disbursed and tds @ 1.5% amounting to NPR. 1,237,297.72/- has not been deducted.</p>	Medium	Medium	↔ NPR. 3,861 recovered from Suryodaya Urja Pvt. Ltd. NPR. 11,244/ recovered from Supreme Solar Pvt. Ltd. NPR.10,980/ recovered from Nepal E Com Concern OAG Letter no: 1599 dated 19/01/2075 NPR. 80,497.12 from Krishna grill and engineering NPR. 89,631.67 from Urja ghar pvt. Ltd. OAG Letter no: 7475/582 dated 2075/3/10 Total Collection made till date: 1,147,707.27 Remaining Amount: NPR.89,590.45/- OAG letter remaining
NRREP Fund				
1	<p>PR7273-15: Monitoring, evaluation and penalty: -As per Renewable Energy Subsidy Delivery</p>	Medium	Medium	↔ NPR.51,306,431.68/- has been collected via OAG Letter dated 14/12/2074 challani no. 120.

	Mechanism monitoring of at least 10% sample is done through random sampling basis by third party monitors. The penalty for the fiscal year 2013/14 amounting to NPR. 53,070,409.56/- has not be collected till the period of statutory audit.				NPR. Collected 436,483.98 /- NPR. 1,327,493.90/- remains to be collected.
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1.	PR7172-16: 3311083 Alternative Energy Promotion Centre (AEPC): TDS has to be deducted from suppliers on supply of solar light charging system during the earth quake amounting to NPR. 936,642/-	Medium	Medium	↔	Settlement of NPR. 626,695/- via OAG challani no. 45 dated 2073/08/07 and remaining amount of NPR.306,947/- to be settled. The total remaining amount till date is 208,812. As of 25th Sep, 2019, NPR. 25,000/- is remaining.