

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

Compliance Review 2nd Trimester 2018/19
(18th October 2018 to 14th Mar, 2019)

3rd April, 2019

Contents

Contents.....	1
1 Introduction.....	2
2 Progress Assessments.....	2
3 Conclusion:.....	16

List of Tables

Table 1: Levels of Progress.....	2
Table 2: Trajectory of progress.....	2
Table 3: Basis for coding of findings/issues.....	3
Table 4: 2nd Trimester Assessment (F.Y. 2018/19).....	3
Table 5: Quantification of Progress Level.....	16
Table 6: Changes in Trajectory.....	16

1 Introduction

This report documents the findings and conclusions of the status update of the findings as stated in the *Compliance Review 1st Trimester 2018/19 Report* dated 3rd December, 2018. The assessment was conducted between 15th March, 2019 and 31st March, 2019 by the Compliance Unit. The assistance offered officials of Alternative Energy Promotion Centre (AEPC) is gratefully acknowledged. This trimester review has been conducted concentrating on the Compliance Review 1st Trimester 2018/19 Report and the issues closed by the that report are not included in this assessment. 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 1st Trimester 2018/19 Report* dated 3rd December, 2018 assessment using an arrow system.

Table 2: Trajectory of progress

Positive progress	↑+
No change	↔

2 Progress Assessments

The findings are based on the Preliminary Report of the Office of Audit General (OAG) for the fiscal year 2073/74 dated 26th February, 2018 and Preliminary Report of OAG for fiscal year 2072/73 and 2071/72. The findings closed during the *Compliance Review 1st Trimester 2018/19 Report* dated 3rd December, 2018 have not been included in the assessment. 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 December 2018	Progress as of 3 rd April, 2019	Δ	Evidence/Assesment as of 3 rd April, 2019
Human Resource					
1.	PR7374-3&4: Operations needs to function based on the organizational structure, management as well as division of work as per rule 45(j) of Financial Procedure Rules 2064. For smooth daily operation of the AEPC, 54 employee quotas have been approved. Out of which 46 positions has been fulfilled and 8 remains vacant. This affects daily operation overall achievement.	Medium	High	↑+	AEPC fulfills its requirement via contractual staff. Contractual recruitment process such as dated 2075/7/20 (November 6th 2018) announced a vacancy for 19 engineers, 3 technical consultant, 3 Non technical, 18 Assistant level and 6 junior levels has been completed. Another vacancy announcement dated 15 nov 2018 for financial expert and Program Consultant (Enginner/Environment/Climate Change) has been completed.
Capital Expenditure					
2.	PR7374-5: Quarterly targets need to be set and implemented based on the annual budget and programme. Out of the annual total expenditure NPR.3,878,865,895.90/-; 22.06%, 24.53% and 53.41% of the total expenditure has been incurred during first, second, and third quarter respectively. In a single month of Ashad, NPR.152,088,2741.45/- i.e. 39.21% of expenses has been incurred. Even though the Centre had received the authority to spend on time, the trend of incurring major portion of the expenditures in the last quarter ultimately	Low	Low	↔	As per justification given during the 1st trimester review the tendering and bidding process and installation at the far flung areas are the one of the main reason behind the delays. Additionally the demand based performance is affected as demands are not received on time, work completed but payment yet to be released also affects the progress as the budget efficiency reports are cash based and not accrual. The second trimester of 2018/19 shows financial progress on 37% and physical progress of 28%.
Internal Control System					
3.	PR7374-9: As per Rule 35 of Financial Procedures Rule 2064, the competent Authority empowered to make expenditure or sanction expenditure, and shall make expenditure & sanction to make expenditure, where the amount is	Medium	Medium	↔	As per the management response: "AEPC ensures that the expenditure will be as per the budget heads with detailed description of the related activities". This is a principle based arrear. The

3rd April, 2019

	<p>within the approved budget and falls under the concerned expenditure heading. Consultancy service expenses should be shown from account head 22411 and other service under contract should be shown from account head 22412.</p> <p>AEPC has expended remuneration of employees/consultant under contract amounting to NPR.1,188,520/- from voucher no. 453/074/3/16 as programme expenditure and capital grants/subsidy to other organization and individual under account head no. 26423. This practice hampers the overall effectiveness of the program and the true & fairness of the financial statement.</p>				<p>expenses are incurred based on the related activity without affecting the overall cost and target. AEPC prepares a detailed cost sheet of these activities which discloses the amount of remuneration required for the activities where applicable.</p>
Solar					
<p>Solar Tuki Distribution:-Under the programme “Light for Education”, for providing solar tuki to 25,000 students of class 9 and 10 of deprived/disadvantaged, dalits and marginalised family, budget amounting to NPR Ten Crores was allocated. For distribution of 10 watt solar tukis, tender of NPR.88,547,350/- for package 1, 3 and 4 was awarded to Surya Roshani Industries Pvt. Ltd. to purchase 24,665 solar tuki. Another tender of NPR.8,527,365/- for package 2 awarded to S.L. Solar Asia Pvt. Ltd. to purchase of 2,415 solar tukis. Total amount of NPR.97,074,715/- has been paid. The procurement of the solar tuki is shown below:</p>					
4.	<p>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 that the quotation received was lower than the estimated amount. During the contract signing as the schools demanded extra units of tuki, 10% i.e 2,462 tuki, it was included in the contract citing that the quotations received had been lower than the total estimate. However, the list of additional students was not available for verification. The additional payment made to the supplier amounting to NPR.8,838,580/- (per unit cost NPR.3,590/-) is not regular.</p>	Medium	Medium	↔	<p>A file has been prepared but not yet approved by the Secretary of the line ministry 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.</p>
<p>Solar Irrigation System Subsidy: AEPC has provided subsidy of NPR.30,526,826/- to 49 farmers under</p>					

3rd April, 2019

solar irrigation system programme. Findings related to subsidy are mentioned below:					
5.	PR7374-13.2: AEPC has to prepare database of the individuals and institution that have availed subsidy for solar irrigation system to control occurrence of double subsidy disbursement to same person/institutions. AEPC has not prepared any record of the person who have availed subsidy in case of solar irrigation systems. To control and minimize the risk of multiple subsidy disbursement to same individual/institutions, AEPC needs to maintain records in the software used by AEPC for subsidy administration and produce recent records	Medium	High	↑+	<p>AEPC has maintained a database on a spreadsheet. LGs based information on demand and disbursement of subsidy which nullify the double subsidy issue.</p> <p>AEPC is in the process of developing of a consolidated management information system that includes all renewable technologies and also access shall be given at the local level and provincial level. The process is ongoing. The system requirement specification has been completed as of yet.</p>
Solar Street Light: On the basis of recommendation made by local bodies and work completion report of 17 different installer companies, AEPC has disbursed NPR.67,662,207.89/- for installing solar street lights in 29 local levels. Findings related to subsidy are mentioned below:					
6.	PR7374-17: Payment made without Invoices/Supporting documents: NPR. 1,710,400 disbursed to the various parties without obtaining relevant supporting document. Concerned employee disbursing the amount with supporting document should be made responsible	Medium	Medium	↔	<p>In case of Sun Power Approval obtained as following OAG's letter 75/76/132 Date: 2075/7/13 Other are yet to be found.</p>
7.	PR7374-19: Advances: Advance 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.	Medium	Medium	↔	<p>Amount 2,176,967 closed with the following detail Bank Voucher: 492 Date: 2074/03/19 Approval yet to be from from OAG.</p> <p>Documentation for the remaining amount is in the process.</p>
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).					
8.	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	Low	Medium	↑+	<p>The cases have been justified based on arrangements as necessary. Justification is yet to be achieved for NPR. 41,666.</p>

3rd April, 2019

	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.				
9.	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/-					
10.	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.	Low	Medium	↑+	The amount has been collected via voucher no 1484196 dated 2075/11/29. Approval yet to be obtained.
Expenses					
11.	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.
12.	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	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.

3rd April, 2019

	AEPC. The budget of AEPC is not meant for personal assets repair; hence, the payment is not regular.				
13.	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	Medium	↔	Advance settled but OAG approval yet to be obtained 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
Scaling Up Renewable Energy Programme (SREP): As per the agreement between GoN and World Bank dated 24 th November 2014, total project cost is USD 7,900,000. The completion date of project is 31 st December, 2019. The objective of the project is to assist NRREP to achieve its goals.					
14.	PR7374-33: Budget expenditure and progress: SREP has budget of NPR.783,127,000/-with completion period of 5 year. Under SREP total expenditure amounts to NPR.8,929,165/- until the previous year. In the current year NPR.179,836,000/- has been allocated, out of which NPR.75,572,136.75/- i.e. 42.02% has been utilized. At the end of current fiscal year (3 rd year out of total 5 year period) NPR. 84,501,302.25/-i.e. 10.89% has been utilized. We observed that the financial progress has not been achieved.	Medium	Medium	↔	The project was adversely affected by the massive earthquake and the financial blockade during the second year of implementation. The project required restructuring during the fiscal year 2073/74, as the restructuring did not complete affecting the activities of the project and progress could not be achieved. Furthermore, the projects implementation modality required co-ordination with the respective local level government; the local level was suffering from a decade long absence of locally elected representatives as local level elections were yet to take place. The bureaucrats were not willing to take the ownership of such programs.
15.	PR7374-34: The progress on off-grid biogas is 7.39%, electricity production via off-grid biogas is 0, Large biogas 56.02% and commercial off-grid plant establishment and operation is 11.36%. 50% of the total project period out of six years has ended but the progress level is not satisfactory. AEPC should be concerned on completion of the project within the project period by effectively implementing the work plan.	Medium	Medium	↔	As stated above
South Asia Sub-regional Economic Cooperation(SASEC) (AEPC Component) : As per the contract between GON and Asian Development Bank on 4 th July2014, the project will start from 2015 and end on 31 st Dec 2021. The total cost of this project is 440 million USD. Out of total cost of project,Asian Development Fund will grant 180 million USD, Asian Development Bank Strategic Fund Donation 11.20 million USD,					

3rd April, 2019

Norwegian Donation 60 million USD, European Investment bank 120 million USD , GoN 60.33 million USD and from Community 8.47 million USD will be borne.Under SASEC, in the previous year NPR.30,471,057/-, current year NPR.552,57,953/- grand total of NPR.857,29,010/- has been expended.					
16.	PR7374-38: Annual Progress: As per the report obtained from the project in the current year, the project aims to identify feasible location and estimate initial demand collection for 7 small hydropower project, detailed feasibility study and estimate initial demand collection for 10 mini grid solar and solar wind system and installation of 5 wind mast. Out of which, 7 projects identified, 4 projects are in the process of acquiring license, tender has been issued for 400 kilo watt small hydro, 65 kilo watt mini grid solar and solar wind system, and 2 wind mast has been installed. Longer project cycle, user/beneficiary is inability to manage loan, higher hydro project's cost and non-delivery of material to remote construction sites have been identified by the project. To complete the project in time, detailed work plan has to be prepared.	Medium	Medium	↔	As per the management response: "Being a new programme, the progress of the project was adversely affected by additional time required for identification, lengthy project cycle and procedures, high cost resulting in unwillingness of the beneficiary groups, inability of the beneficiaries to manage finance in time and majority of project locations in remote areas resulting in high freight and transportation charge In future to address the issues identified AEPC will revise the modality to the possible extent and develop action plan to conclude activities of the remaining period."
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.					
17.	PR7374-39.2: Service provider company Suryodaya Energy Pvt. 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.	Medium	Medium	↔	Closed OAG approval yet to be obtained
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.					
18.	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	Medium	Medium	↔	As per the management response: "In this context, the security deposit amount shall not be refunded based on the performance guarantee clause of the Public Procurement Regulation 2064. The refund requires monitoring and recommendation from the respective technical person.

3rd April, 2019

	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.				AEPC follows the predominant rules and procedures”
19.	PR7374-42: Clean Development Mechanism (CDM): For minimization of smoke and carbon emission, AEPC received NPR.557,511,013.33/-in the previous year and NPR.110,021,679.10/-in the current year from carbon trading; total NPR.667,532,692.43/- has been deposited in to the carbon fund. No expenses have incurred from the fund. As per the clarification from AEPC, the mobilization guidelines for the fund have been formulated; however, since the approval on the procedure is yet to be obtained, the fund has remained unutilized. This was noted in the previous report but the status of approval has not improved in the current the fiscal year as well.	Medium	Medium	↔	As per the management response: The fund mobilization guideline has been sent to the Ministry of Finance for approval. Due to the ongoing discussions on the guideline between the stakeholders, line ministry, National Planning Commission and the Ministry of Finance and consensus yet to be reached, AEPC as of now is not able to utilize the fund. AEPC is committed to utilize the fund in effective manner post approval of the guideline
Additional Financial support Fund: In the micro hydro projects of remote areas, based on the Renewable Energy Subsidy Delivery Mechanism 2073 additional subsidy support of NPR.78,984,095/- has been provided.					
National Rural and Renewable Energy Program					
20.	PR7374-44: Operation of Service Centres:- As per agreement with regional service centre, the service center should achieve 80% of target at end of the financial year. 9 service centres has expenses amounting to NPR.86,992,352.31/- in current fiscal year. Service centres have not prepared progress report of the above mentioned amount	Medium	Hlgh	↑+	As per the management response ” The closure of NRREP in the mid of the fiscal year 2073/74 is the major reason on service centres not being able to achieve the 80% target. Hence, the agreement with the service centres ended in the middle of the fiscal year affecting the targets adversely.” The service centres are now under output based contract model. Hence, the disbursement happens only post the completion stated outputs.
Central Renewable Energy Fund (CREF)					
21.	PR7374-46: Law Enactment: Central Renewable energy Fund (CREF) has proposed that the financial management of the fund should be independent and applies	Medium	Medium	↔	As per the management response: ” CREF’s operation is based on its Operational Guideline approved by the Ministry of Finance. The annual audit provision of the fund is

3rd April, 2019

	<p>the arm's length principle. In agreement with development partners, CREF is one part of National Renewable Energy Programme (NRREP) operating as a semi endowment fund. The fund operates on the basis of Ministry of Finance (MOF) approved fund operation guideline. As per CREF statement provided upto august 2017, available fund amounts to NPR. 4,635,973,000/-. There is no separate act, law, rule & regulation relating to operating and management of this fund. So relevant law needs to be formulated to manage & operate this fund.</p>			<p>governed by the prevalent laws of Nepal. Recommendation on separate Act and rules for the management of the fund shall be consulted with the line ministry, ministry of finance and development partners.”</p> <p>The Renewable Energy Promotion Bill covers the CREF procedures as well.</p>
<p>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:</p>				
22.	<p>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 by various installation company is to be conducted via Third Party Monitors. The monitoring deviations are classified as: not installed as per agreement, not meeting quality criteria, could not ascertain the installed person, installed after the first inspection was made, double claim, claiming others' installation as own, no description of manufacturer and capacity in battery, no manufacturer serial number in panel, multiple claim from a single family, installation in other's name, installing by making variation in VDC or District, mismatch of serial number of panel and battery mention in application, claiming subsidy without proper knowledge that partial subsidy was provided by other company. There is provision of penalty of 5%, 50%, 100% & 200% as well as removal of registration on severe condition. The condition of cancellation of registration has not been clearly stated although there is provision for such. All together 62 companies has been fined amounting to NPR.47,851,809/- for non-compliance of the Subsidy Delivery</p>	Medium	Medium	<p>↔ 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.</p> <p>Out of the total Total 47,851,809.19 The remaining amount is NPR. 5,428,679.86</p>

3rd April, 2019

	Mechanism based on the monitoring results of the third parties in 2014/15 and 2015/16.				
23.	PR7374-50.2: Company wise inspection and penalty status: As per section (11) amount of penalty of NPR.47,851,809.19/- was noted for 62 companies but for major 10 companies penalty of NPR.27,524,714.52/- (57.52%). The 10% sampling of these companies is not enough, hence the sample percentage should be increased for these companies.	Medium	Medium	↔	As stated in the management response: ” The threshold of monitoring 10% is as per the Renewable Energy subsidy Delivery Mechanism 2070. AEPC needs to conduct a technical analysis to justify the increment of the 10% threshold. As the mechanism of penalty is governed by the Renewable Energy subsidy Delivery Mechanism 2070 and AEPC cannot proceed beyond that.”
24.	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.	Low	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
25.	PR7374-51: Interest and Penalty Income: As per S.No 3 of Guiding Design Principles, Financial intermediation Mechanism of CREF, the amount as subsidy and grant which remain unspent has to be invested in safe manner in interest earning instruments and reinvestment of such amount for the expansion for sustainability of the CREF. Similarly S. No 7.2 has mentioned that interest generated will enhance the effectiveness of the fund. Based on the provisions, AEPC has earned interest and fines, the total interest income of the fund is NPR.100,339,246.60/- and penalty booked is NPR.160,748,307.01/- till date. Although the financial procedure has stated the procedure for booking of interest income but it lacks the clear procedure for the booking of fine and penalty, hence approval from GoN is required.	Medium	Medium	↔	As state in the management response: ” Though the recognition of penalty as income in fund is not stated clearly in the Guiding Design Principles, the amount received has been recorded as income and kept in a safe manner. AEPC shall make necessary amendments in the guiding principle on whether the penalty amount shall be booked as income in CREF or deposited in to the GON’s consolidated fund”.
26.	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	Medium	Medium	↔	According to request letter by CREF for removing the arrear form OAG’s report “Certification of non-payment of fee to global IME Bank Ltd.” dated 16 th may 2018 ref. no. 073/074/075, “CREF had signed an agreement with the bank for providing different services which

3rd April, 2019

	<p>reasons, the following authority may, after preparing the cost estimate of such alteration and new item, issue a variation order as follows subject to the provision of Section 54 of the Act.</p> <p>There has been a variation agreement of NPR.4,19,200/- on 5 July 2016 to complete the work between 16th July 2017 to 9th December 2017 stating “Variation Order (VO) to HB to Perform Task of Financial Closure; Reconciliation and Reporting”. The variation order agreement of NPR. 419,200/- for activities that are of regular nature of the handling bank cannot be deemed regular.</p>				<p>were not part of the original terms of reference. Hence, the management of the bank and CREF agreed to provide/receive the service against fee payment. In the meantime, Global IME Bank Ltd. also agreed to carry out the services on a no cost basis for a period of six months. The said amount has been booked in arrears during OAG audit. However, as the payment has not been made till date, there is no need to book the amount in arrears.”</p>
27.	<p>PR7374-56: Payment made without detail of remaining payment: As per section 40(7) of Financial Procedures Rules 2064, No liability shall be created in a manner to incur expenditure beyond the budget limit for the current year. Provided that in cases where expenditure exceeding the budget for the current year has to be borne in the expenditure headings referred to in Sub-rule (8) by operation of circumstance and for a special reason, the amount due and payable shall be entered in the statement of due amount, setting out the reason for making payment of the amount as per the bill and voucher in the coming year, and got certified by the Office In-charge and the Funds and Accounts Comptroller office within the 15th day of the month of Shrawan (last day of July); and such statement of due amount shall be forwarded with the financial statement to the pertinent superior office, concerned Ministry, Funds and Accounts Comptroller Office and Office of the Auditor General. AEPC have made payment of NPR. 44,693,888/- without any outstanding payment details of previous financial year to the service providing companies.</p>	Medium	High	↑+	<p>As stated in the management response: ”As per the contract with service provider, record of payable amount will be prepared and attached decision on disbursement to settle the arrears.”</p> <p>AEPC has prepared the details.</p>
28.	<p>PR7374- Unadjusted amount and its settlement: As per section 108(f) of Financial Procedures Rules, 2064, to maintain</p>	Medium	Medium	↔	<p>As stated in the management response: ” AEPC has maintained record of arrears from 2060/61 to 2072/73. AEPC aims to settle the</p>

3rd April, 2019

	records of the irregularities indicated by the Office of the Auditor General in the format specified and update the records of settlement. As per this, from detail provided by AEPC of total unadjusted amount of NPR.385,525,000/-, the amount of NPR.17,107,000/- has been settled and NPR.229,521,000/- remains unsettled. The arrears should be settled.				arrears based on its action plan. Evidences and supporting documents for NPR.12crore arrear has been prepared and will be submitted.For the settlement of principal arrears. Additional NPR. 60,742,760.25 have been recovered. crore have AEPC is in the process of compiling the required documents and as per the process decreed by the rule 100(3) of Financial Procedures Rules,2064. Out of total arrears, AEPC aims to settle 60% till the end of Asadh of 2075.”
OAG Preliminary Report 2072/73					
29.	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/-	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/-
30.	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.	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 be collected.
31.	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 disbursedand tds @ 1.5% amounting toNPR. 1,237,297.72/- has not been deducted.	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

3rd April, 2019

					Total Collection made till date: 1,147,707.27 Remaining Amount: NPR.89,590.45/- OAG letter remaining
NRREP Fund					
32.	PR7273-15:Monitoring, evaluation and penalty: -As per RenewableEnergy Subsidy Delivery Mechanismmonitoring of at least 10% sample is done through random sampling basis by third party monitorsThepenalty for the fiscal year 2013/14 amounting toNPR. 53,070,409.56/- has not be collected till the period of statutory audit.	Medium	Medium	↔	NPR.51,306,431.68/- has been collected via OAG Letter dated 14/12/2074 challani no. 120. NPR. Collected 436,483.98 /- NPR. 1,327,493.90/- remains to be collected.
OAG Preliminary Report 2071/72					
33.	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.
NRREP					
Compliance Unit Findings 2074/75					
34.	CU7475-4: Complaint received by the biogas sub-component through anonymous telephone call on Machapuchre Biogas Company, Byas Municipality, Tanahu on submitting Subsidy Application Forms without the constructions of Biogas plants	Medium	Medium	↔	Total 64 numbers of cases are eligible for 200% penalty.Against 64 deviations found, the compensation for domestic biogas plant should be charged to Machapuchre Biogas Company, Byas Municipality, Tanahu. The total amount to be charged is NPR. 3,920,400.00 The company representative have absconded.
Subsidy Application Management System					
In the new federal context, AEPC plans to develop a Management Information System which will accomodate both subsidy administration of all technologies and monitoring system. As of date, the business requirment document has been completed and the terms of reference for the bid process is undergoing.					
35.	CU7475-5: Documents regarding software testing before taking the software in the production environment and approval of the software to be officially usedin Solar Home system Project could not be verified. In the 70 th minutes of the Subsidy Review Committee Meeting, it has been mentioned that the software has been demonstrated to the management and they	Low	Medium	↑+	As stated in the management response:"The formal approval process will be followed. AEPC management will initiate this process is for SAMS". However, AEPC is in the process to develop an Management Information System externally which has followed the necessary approval procedures but as SAMS will be

3rd April, 2019

	appreciate the work done by IT department. However, any document showing the software has been approved and testing process of software could not be verified. Only based on the demonstration of software by the single person who developed the software himself, it was unofficially used in the project Solar Home System.				operation until thje finalization of the new software, the approval process is required
36.	<p>CU7475-6: The following documents associated with the software development could not be verified. As per management all the instructions were communicated verbally and performed the task without any documentation.</p> <ul style="list-style-type: none"> a) Installation and Configuration Manual b) Development Documentation c) Maintenance Manual d) User Manual e) Changelog f) Documentation of software test g) Software Requirement Specification <p>The user manual and software requirment specification documents are critical</p>	Medium	Medium	↔	<p>As stated in the management response "Due to time and resource constraint, we were not able to develop these manuals. AEPC ensures that these manuals will be developed. Based on the importance/priority of the documentation, AEPC management will initiate the documentation process."</p> <p>AEPC has developed a software requirment specification document for the management information in addition to the terms of reference and other bidding documents</p>
37.	<p>CU7475-9: No audit trail has been developed during the development of the system. The audit records such as what the event was, what system, user or application launched the event and the date and time such event occurred could not be identified in the system.</p>	Low	Low	↔	<p>As stated in the management response " AEPC will initiate the process of maintaining audit trail". This now applies to the the new system as it appear additional development will not be made on the existing SAMS</p>
38.	<p>CU7475-10: No disaster recovery plan was made. Although the agreement was signed with the vendor no backup was maintained by such vendor. The system automatically take backup and such back up are saved in the local server but any planning regarding safety of data in case of server get crashed has not been made.</p>	Low	High	↑+	<p>AEPC has maintained a separate backup system, addtional backup is planned to be maintained at the Government Integrated Data Centre.</p>

3 Conclusion:

Table 5 depicts the quantity of the findings in each of the progress levels and Table 6 the trajectory of progress made since the previous assessment of 3rd December 2018.

Table 5: Quantification of Progress Level

Progress Level	Quantity
High Progress	05
Medium Progress	30
Low Progress	03
Total	38

Table 6: Changes in Trajectory

Positive progress (↑+)	09
No change (↔) ¹	29
Total	38

¹ It is to be noted that the no change trajectory compares only defined progress indicator. So in cases where substantial amount has been recovered from the previous assessment but since final approval from the OAG is yet to be obtained, the assessment has remained in the same progress indicator as earlier. High progress applies to issues which have been formally closed post obtaining the approval of the OAG.